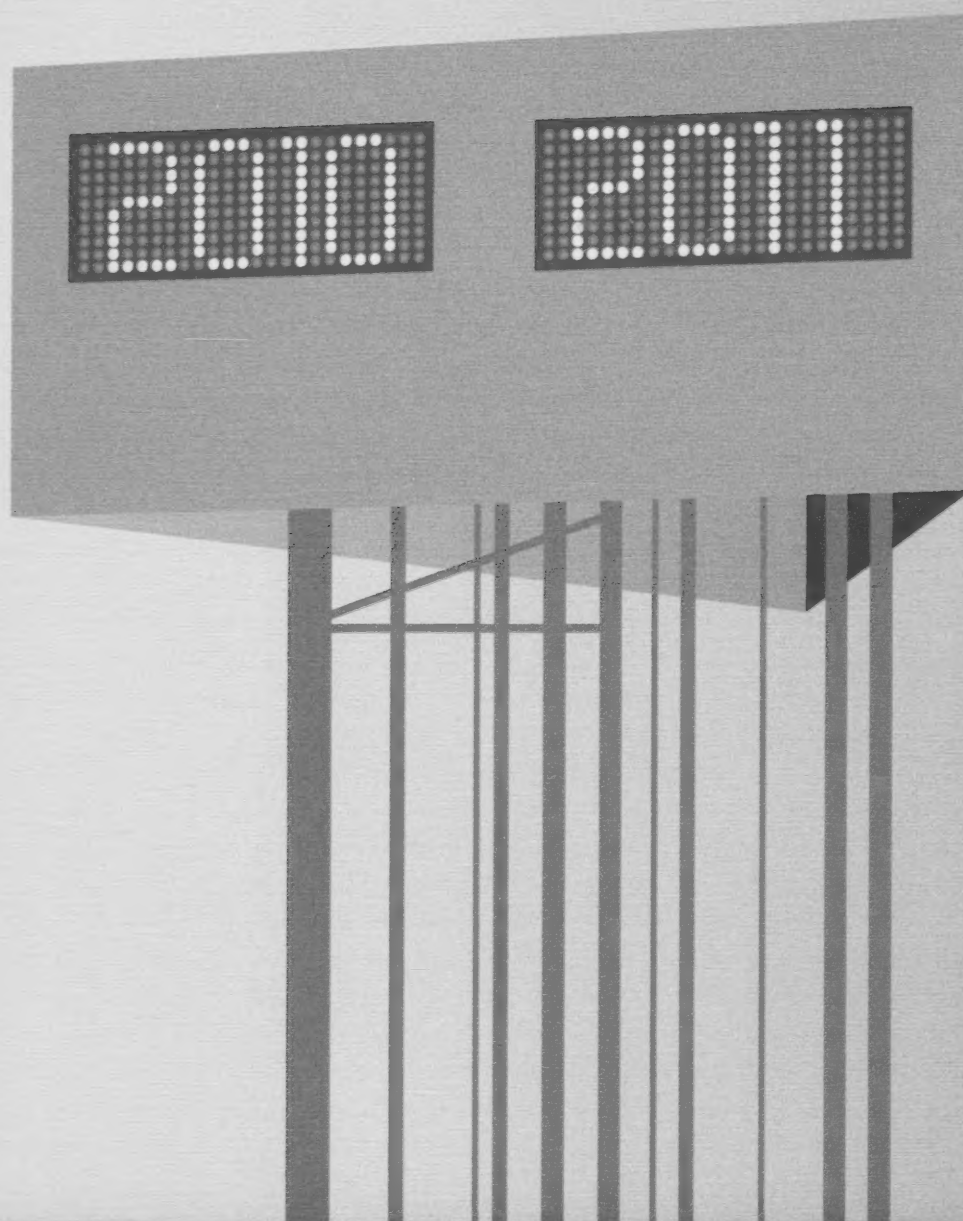




2010 > 2011



In the past 12 months, BCLC successfully converted strategic plans into tangible results. We delivered a record number of jackpots, a new and competitive PlayNow.com, greater value at our facilities, industry-leading social responsibility programs, and ultimately, more benefits to British Columbians.



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Honourable Shirley Bond
Minister of Public Safety and Solicitor General

statement of accountability

On behalf of BCLC, our Board of Directors, management and employees, I am pleased to submit this Annual Service Plan Report for the fiscal year ended March 31, 2011.

Under the Board's direction, this report was prepared as per the *Budget Transparency and Accountability Act* and B.C. Reporting Principles, and reflects BCLC's performance against our 2010/11–2012/13 Service Plan.

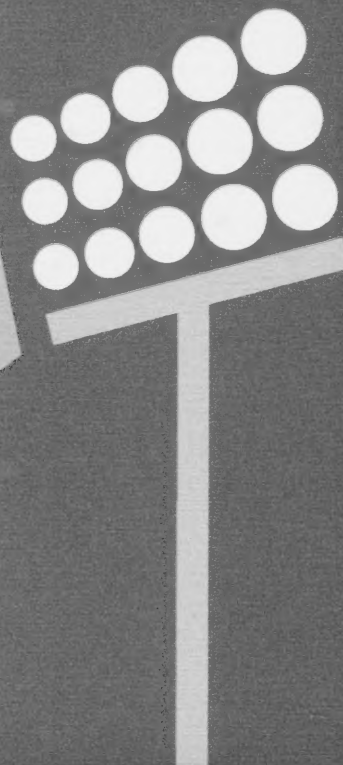
The Board is accountable for all content and timely reporting methods, as well as ensuring management controls to accurately measure this information are consistent with the mission, vision and goals critical to our organizational success and government priorities.

Significant decisions and changes to BCLC's strategies, measures, targets or data reliability are identified herein. All applicable assumptions, events and identified risks have been considered and estimates and interpretive information represent the best judgment of management.

Respectfully submitted,



John McLemon
Chair, Board of Directors



strategy in action

Our focus on innovation and customer insight has positioned BCLC at the vanguard of Canada's regulated gambling industry while yielding strong financial performance. It also resulted in achievements that rank first in our industry, including demonstrated leadership in responsible gambling programs.

We know that sustained success hinges on our ability to deliver outstanding entertainment in a highly accountable manner. Our tag line "Playing it Right" conveys this commitment to corporate social responsibility as well as our goal to offer fun, innovative gambling experiences for players while considering the impacts of our business on the people and communities of B.C.

This year, we garnered industry attention for our GameSense program by winning the Best Overall Responsible Gaming Program Award from World Lottery Association, which has 140 member-jurisdictions. Nationally, our GameSense team continued to actively engage with other Canadian jurisdictions in sharing best practices in responsible gambling and in exploring new ways to reduce the potential harmful effects of excessive gambling and encourage healthy player choices. At the ground level, our GameSense Advisors connected with thousands of players to explain and encourage responsible choices. Our efforts have created positive results. For the third year, we exceeded targets for player awareness of responsible gambling programs.

"Playing it Right" also embodies BCLC's consideration for our environmental impact, and we are dedicated to creating ways to exceed government requirements to build sustainability into our business. Employees at all levels of our organization are encouraged to develop plans to reduce and offset greenhouse gas emissions to achieve carbon neutrality throughout our business. We actively promote and practice environmentally

sustainable behaviours as an integral part of our working culture and relationships with our partners. Targets for greenhouse gas reductions were exceeded for the second consecutive year.

The relocation of our Metro Vancouver office was another important step in further reducing BCLC's environmental footprint, enabling us to reduce paper usage through centralized printing, embark on a new waste management regime and offer employees more commuting options. These initiatives will help us achieve LEED status in this new location.

We are also proud of a new public campaign to inform and quantify for British Columbians how gambling proceeds directly benefit provincial, community and charitable programs throughout B.C. This year, targets for public trust and confidence and gaming support were not achieved. However, we will maintain these outreach efforts to reinforce public confidence in the socially and economically responsible role we play each day.

This year, BCLC achieved growth in all lines of business — facilities, lottery and eGaming. BCLC achieved a record net income of \$1.1 billion, \$25.5 million over last year but \$10.4 million less than budget. Total net win of \$2.0 billion was \$86.7 million above 2009/10 results. Capital spending of \$81.3 million was \$11.2 million less than the previous year.

Key to this success is our ability to provide innovative gambling entertainment with the broadest possible appeal. In addition to refreshing our traditional lottery and games of chance, we excelled at creating exciting new player experiences. LOTTO MAX hit a home run with tremendous popularity across Canada and a record number of jackpots. In B.C., LOTTO MAX helped contribute to an unprecedented \$1.0 billion in lottery revenues.

BCLC also advanced to the forefront of online gambling with the introduction of a legal, regulated alternative to unregulated websites. The launch of casino games on PlayNow.com was a first for North America, and peer-to-peer poker with Loto-Québec broke new ground with two regulated jurisdictions partnering to offer competitive play. Results show that players eagerly embrace these innovations: PlayNow.com registration is up almost 25 per cent and revenue rose 28 per cent over last year. Recently, a number of websites were forced to shut down in the U.S. for operating illegally. News of these actions is expected to further enhance player interest in PlayNow.com.

Performance throughout our facilities increased over last year, with casinos generating about 66 per cent of total net win. Service providers refurbished several venues and BCLC refreshed a significant number of games on casino and community gaming centre floors, which contributed to higher slot machine revenue. Increased popularity of table games also played a role in successful performance. As we look ahead, growth is levelling off at our facilities due to a number of factors, including maturing products, aging player demographics,

economic conditions and the nearing completion of our facilities redevelopment strategy. BCLC will continue to invest in strategic cost management and revenue sustainability by enhancing growth in our existing lines of business.

We will also continue to invest in technology that underpins our business. Along with replacing legacy systems, we have forged a new partnership with Ontario Lottery and Gaming Corporation for a new state-of-the-art gaming management system which will provide economies of scale and modernize the technology linking BCLC casinos and community gaming centres. This new system will bolster analytics, player response, customer relationships and responsible gambling programs.

In summary, our strategic decisions and investments over the past 12 months have delivered on our goals. This success was made possible through the effort and commitment of the people who work at BCLC, and those who work on the front-line in facilities and at retail throughout the province. Together, we are committed to delivering strong results to sustain the benefits to B.C. for years to come.



JOHN MCLERNON
CHAIR, BOARD OF DIRECTORS



MICHAEL GRAYDON
PRESIDENT & CEO

playing for British Columbians

BCLC creates fun and exciting gambling entertainment to benefit players and our province. Our goal is to be positive game-changers by contributing to B.C.'s economy, communities, environment and standards of responsible gambling.



our mandate

As a Crown corporation under the *Gaming Control Act* (B.C.), our mission is to conduct and manage gambling in a socially responsible manner for the benefit of British Columbians. We offer exceptional gambling entertainment through:

- national and provincial lotteries
- casino gambling
- commercial bingo
- online gambling

our values

Integrity: the games we offer and the ways we conduct business are fair, honest and trustworthy

Social responsibility: everything we do is done with consideration of its impact on and for the people and communities of British Columbia

Respect: we value and respect our players, service providers and each other

regulated play

British Columbia's gambling industry is regulated by the Minister of Public Safety and Solicitor General. The Ministry's Gaming Policy and Enforcement Branch (GPEB) directs policies, legislation, standards, responsible gaming strategies, licensed charitable events and horse racing, registers gambling service providers, certifies supplies and equipment, and conducts audits and compliance investigations.

BCLC in the field

Most BCLC products are sold day-to-day by private-sector service providers, including approximately 4,000 lottery retailers, 17 casinos, 16 community gaming centres and 11 commercial bingo halls. Secure, regulated online play is offered on PlayNow.com.

BCLC headquarters in Kamloops oversee finance, administration and information technology, while our Vancouver corporate office manages sales, marketing and distribution. Field staff throughout the province also support our operations.

B.C. Lottotech International Inc. is a wholly owned subsidiary that purchases capital assets for lease to BCLC. All acquisitions are part of a budget, which is reviewed and approved by our Board of Directors and consolidated in BCLC financial statements.

teaming up to benefit B.C.

Jobs & contracts: In addition to about 850 corporate staff, BCLC provides livelihoods for over 26,000 direct and indirect workers in gambling operations, government agencies, charities and support services.*

Provincial programs & services: BCLC benefits citizens and communities every day. After operating costs, prizes and commissions are paid, BCLC remits the remaining net income to the Government of British Columbia for health care, education, charitable and municipal programs. A portion also goes to the Government of Canada.

Gaming grants: Each year, community and charitable organizations receive gaming grants awarded by the Province for public safety, youth and disabled sports, people in need, fairs, festivals, museums and programs like preschools. For more information, visit www.pssg.gov.bc.ca/gaming/grants/community-gaming.

* Economic Impact of the Canadian Gaming Industry: Key Findings Report—HLT Advisory Inc. (January 2008).



In the past 12 months, we've gone the distance to convert strategic plans into prudent action for the benefit of all.

financial strides

- BCLC achieved record net income of \$1,104.6 million, \$10.4 million less than budgeted, but \$25.5 million (2.4%) over last year.
- We delivered \$1,095.7 million to our shareholder, the Government of British Columbia, to support a range of public programs, and \$8.9 million to the Government of Canada.

performing to plan

In our 2010/11–2012/13 Service Plan, BCLC set four corporate goals with 10 performance measures.

The results:

- Targets for responsible gambling awareness and greenhouse gas reductions were exceeded. Those for public trust and confidence and gaming support were not achieved.
- Player Satisfaction metrics were amended to apply to all gambling channels including PlayNow.com; Player Participation measures changed from yearly to monthly frequency of play to better gauge success.

- Net income and net win results were just under target, and BCLC improved its operating cost ratio.

we're #1!

- In 2010, BCLC became first in North America to launch regulated online casino gambling.
- Last year, BCLC received top level accreditation from the World Lottery Association (WLA) for effective responsible gambling initiatives. WLA also awarded BCLC the 2010 Best Overall Responsible Gaming Program Award honouring one gaming corporation in the world for demonstrating overall excellence in key responsible gambling practices and programming.
- GameSense public service announcements received Best Public Awareness Campaign by the U.S.-based National Council on Problem Gambling.
- BCLC also received the top award and world recognition for our brand transformation at the 2011 REBRAND 100 Global Awards. GameSense received distinction at this prestigious event as well.



rooting for our players and partners: 2010/11 highlights

player gains

- LOTTO MAX went the distance, exceeded expectations, and was the driving force behind BCLC's record \$1 billion in lottery revenue.
- To add to our lottery success, BCLC debuted new prizing, products, packaging and promotions such as the \$10 mixed Lotto Pack, Keno Doubler and the \$100 Million Dollar Fortune Scratch & Win game.
- eCasino and ePoker were added to the legal and regulated PlayNow.com.
- Self-Service Terminals now offer all lottery games.
- We opened a community gaming centre in Maple Ridge and added 75 slot machines at Chances Kelowna where we are testing server-based gaming technology.

responsible action

- Last spring, BCLC implemented our Privacy Charter together with comprehensive privacy policies and we incorporated mandatory privacy training for all staff.
- To increase employee awareness about social responsibility, BCLC launched an annual GameSense week for staff, which included an informative course offered through our online learning portal. We also enhanced Appropriate Response Training on the portal, giving casino and community gaming service provider staff easier access to training.

- BCLC began offering BetStopper, a website-blocking software, to B.C. parents to help prevent minors from accessing gambling websites. BetStopper is available for free at PlayNow.com and bclc.com.
- In fall 2010, our Benefits to B.C. public campaign launched to better inform the public about how gambling proceeds benefit provincial, municipal and charitable programs.

green zone

- In September 2010, BCLC's Environmental Policy was formalized, documenting our commitment to measurable environmental action to reduce greenhouse gas emissions, consumption of natural gas, petroleum, paper, waste and more, at work and at home.
- Our December move into a LEED-pending building in Vancouver augments our environmental initiatives. Energy-efficiency installations are also ongoing in our Kamloops head office.
- BCLC now recycles 90 per cent of retired slot machines to vendors, manufacturers or other jurisdictions.
- We continued to reduce our carbon emissions.
- We made additional upgrades to our vehicle fleet, which is now made up of 72 per cent hybrid or fuel efficient vehicles.

the home advantage for B.C.

Over 26 years, BCLC has generated more than \$13.5 billion in net income to fund provincial, municipal and charitable programs in B.C.

In fiscal 2010/11, the Province directed BCLC's net income of \$1,104.6 million to:

- Gaming Policy and Enforcement Branch (GPEB) received \$13.1 million for regulatory oversight of BCLC, gaming service providers, related workers, B.C.'s horse racing industry, lottery retailers and licensed charitable gaming events.
- Through a long standing agreement between the provinces and the federal government, the Government of Canada was allocated \$8.9 million.
- \$10.0 million was committed to the horse racing industry to be divided among standardbred and thoroughbred sectors.
- Through Development Assistance Compensation of \$10.9 million, many B.C. casinos, racecourse casinos and community gaming centres upgraded facilities to enhance amenities and player experiences.
- \$5.3 million strengthened the Provincial responsible gambling strategy including research, prevention initiatives and GPEB's Problem Gambling Program.





\$82.3
Million

Host Local Governments (HLGs) with a community gaming centre or casino share in that facility's net income to fund local programs. \$82.3 million was disbursed among 29 HLGs.



\$135.0
Million

Close to 6,000 charitable and community organizations benefited from \$135.0 million in gaming grants distributed by GPEB.



\$147.3
Million

The Health Special Account which administers, operates and delivers health care, research, education and promotion received \$147.3 million.



\$691.8
Million

Government allotted the largest portion—\$691.8 million to consolidated revenue.

BCLC casino and community gaming revenue charts show all revenue generated by B.C. gambling facilities on behalf of BCLC for 2010/11 as compared to 2009/10. Slot machine and table game revenue is recorded as "net win", which is revenue after prizes are paid. Bingo revenue is recorded as "sales", which is revenue before prizes are paid.

BCLC casino revenue

Casino	Service Provider	No. of Slot Machines	Slot Machine Revenue 2010/11	No. of Tables	Table Game Revenue 2010/11	Total Casino Revenue 2010/11	Total Casino Revenue 2009/10
(in thousands of dollars)							
Billy Barker Casino, Quesnel	585 Holdings Ltd.	138	\$ 8,938	6	\$ 309	\$ 9,247	\$ 9,427
Boulevard Casino, Coquitlam	Great Canadian Casinos Inc.	1,003*	110,660	64	41,366	152,026	161,247
Cascades Casino, Langley	Gateway Casinos and Entertainment Limited	815	95,031	27	17,997	113,028	119,034
Casino of the Rockies, Cranbrook	SEM Resort Limited Partnership	227*	13,759	11	938	14,697	15,146
Edgewater Casino, Vancouver	Edgewater Casinos ULC	521*	61,506	55	50,449	111,955	117,832
Fraser Downs Racetrack and Casino, Surrey	Orangeville Raceway Ltd.	469	45,263	10	5,519	50,782	51,050
Grand Villa Casino, Burnaby	Gateway Casinos and Entertainment Limited	1,001*	122,564	50	60,677	183,241	186,742
Great Canadian Casinos Nanaimo	Great Canadian Casinos Inc.	407*	40,911	6	2,934	43,845	44,160
Great Canadian Casinos View Royal	Great Canadian Casinos Inc.	602*	69,875	14	8,631	78,506	79,072
Hastings Racecourse Casino, Vancouver	Hastings Entertainment Inc.	596	21,966	-	-	21,966	22,709
Lake City Casino Kamloops	Gateway Casinos and Entertainment Limited	301	30,218	8	2,529	32,747	33,539
Lake City Casino Kelowna	Gateway Casinos and Entertainment Limited	349	34,135	11	4,073	38,208	38,347
Lake City Casino Penticton	Gateway Casinos and Entertainment Limited	293*	27,831	9	1,715	29,546	28,555
Lake City Casino Vernon**	Gateway Casinos and Entertainment Limited	406*	36,443	-	-	36,443	35,395
River Rock Casino Resort, Richmond	Great Canadian Casinos Inc.	990*	121,543	108	138,096	259,639	225,454
Starlight Casino, New Westminster	Gateway Casinos and Entertainment Limited	857*	76,464	49	42,191	118,655	112,616
Treasure Cove Casino, Prince George	Treasure Cove Casino Inc.	501*	42,610	8	2,131	44,741	41,300
Total		9,476	\$959,717	436	\$ 379,555	\$1,339,272	\$1,321,625

* No. of slot machines includes electronic table games. Electronic table game revenue is reported within Slot Machine Revenue.

** Lake City Casino Vernon moved to a new location on June 10, 2009 and discontinued the use of table games.

BCLC community gaming revenue

Community Gaming Centre or Commercial Bingo Hall	Service Provider	No. of Slot Machines	Slot Machine Revenue 2010/11	No. of Bingo Seats	Bingo Revenue 2010/11	Total Community Gaming Revenue 2010/11	Total Community Gaming Revenue 2009/10
(in thousands of dollars)							
Bingo Bingo Esquimalt	319968 BC Ltd. (DBA Bingo Bingo Esquimalt)	-	\$ -	186	\$ 4,581	\$ 4,581	\$ 4,793
Boardwalk Gaming Centre, Burnaby**	427967 BC Ltd. (DBA Bingo Country)	-	-	-	4,795	4,795	4,931
Chances Abbotsford	Playtime Peardonville Ventures Ltd.	125*	14,145	258	984	15,129	12,150
Chances Boardwalk Mission	427967 BC Ltd.	125*	10,085	115	1,041	11,125	11,230
Chances Boardwalk Squamish***	Boardwalk Gaming Squamish Inc.	100*	4,315	168	453	4,768	923
Chances Campbell River	Playtime Community Gaming Centres Inc.	125*	11,532	230	1,649	13,181	12,173
Chances Courtenay	Playtime Community Gaming Centres Inc.	100*	12,395	225	1,957	14,352	14,010
Chances Cowichan, Duncan	Duncan Dabber Bingo Society	135*	13,359	229	2,554	15,913	15,859
Chances Dawson Creek	Great Canadian Entertainment Centres Ltd.	150*	13,059	222	753	13,812	12,538
Chances Fort St. John	243045 Alberta Ltd.	150*	14,401	180	710	15,111	13,589
Chances Good Time, Prince George****	Good Time Bingo Hall Inc.	-	-	-	-	-	2,491
Chances Kamloops	Enterprise Entertainment Ltd.	90	7,724	445	4,349	12,073	11,140
Chances Kelowna	Goldwing Investments (Saskatoon) Ltd.	225	25,957	494	7,813	33,770	31,052
Chances Maple Ridge*****	Great Canadian Entertainment Centres Ltd.	100	5,726	450	5,465	11,191	6,529
Chances Prince Rupert	0733244 BC Ltd.	100*	6,770	136	1,592	8,362	8,637
Chances RimRock, Port Alberni	Alberni Valley Gaming Association	100*	7,563	99	1,596	9,159	8,697
Chances Signal Point, Williams Lake	Lucky's Ventures Ltd.	100*	9,548	320	2,583	12,131	11,884
Chances Terrace	Lucky Dollar Bingo Management Ltd.	75*	8,115	144	1,822	9,937	9,802
Chilliwack Bingo	Chilliwack Bingo Association	-	-	484	12,204	12,204	11,133
Fairweather Bingo Hall, Vernon	Terrin Properties Ltd.	-	-	350	4,080	4,080	4,221
Harbour City Bingo Hall, Nanaimo	Harbour City Bingo Society	-	-	420	4,995	4,995	5,483
Newton Bingo Country, Surrey	427967 BC LTD. (DBA Bingo Country)	-	-	624	8,966	8,966	9,276
Planet Bingo, Vancouver	Community Gaming Management Association	-	-	426	9,592	9,592	10,115
Playtime Gaming Langley	Playtime Community Gaming Centres Inc.	50	2,191	312	5,536	7,727	7,902
Playtime Gaming Nanaimo	Playtime Community Gaming Centres Inc.	-	-	464	2,895	2,895	2,551
Playtime Gaming Penticton	Playtime Community Gaming Centres Inc.	-	-	338	2,553	2,553	2,571
Playtime Gaming Victoria	Playtime Community Gaming Centres Inc.	-	-	485	3,560	3,560	3,291
Rocky Mountain Bingo, Cranbrook	Terrin Properties Ltd.	-	-	190	1,610	1,610	1,394
Treasure Cove Casino, Prince George****	Treasure Cove Casino Inc.	-	-	633	8,935	8,935	6,851
Total Community Gaming Centres & Commercial Bingo Halls		1,850	\$166,885	8,627	\$ 109,614	\$ 276,507	\$ 257,216
Independent Bingo Hall Ka-Chingo Sales						313	352
Paper Bingo Distribution Revenue						216	243
Total						\$ 277,036	\$ 257,811

* No. of slot machines includes electronic table games. Electronic table game revenue is reported within Slot Machine Revenue.

** Boardwalk Gaming Centre, Burnaby closed March 20, 2011.

*** Chances Boardwalk Squamish opened in February 2010.

**** Chances Good Time Prince George closed June 6, 2009. Effective June 18, 2009, the site's bingo operations moved to Treasure Cove Casino. Treasure Cove Casino slot machine revenue is reported on the BCLC Casino Revenue chart.

***** Chances Maple Ridge opened October 15, 2010 and operated as Haney Bingo Plex to October 14, 2010.

Each year, local governments that host casinos or community gaming centres receive a share of net income generated by those facilities. The host local government share charts show provincial payments made to host local governments in 2010/11 as compared to 2009/10.

host local government share of casino revenue

Local Government	Casino	Total 2010/11	Total 2009/10
(in thousands of dollars)			
Burnaby	Grand Villa Casino	\$ 9,932	\$ 10,274
Coquitlam	Boulevard Casino	8,060	8,811
Langley	Cascades Casino	6,252	6,728
Kamloops	Lake City Casino	1,923	2,007
Kelowna	Lake City Casino	2,216	2,262
Ktunaxa/Kinbasket Tribal Council Society	Casino of the Rockies	1,391	1,426
Nanaimo	Great Canadian Casinos Nanaimo	2,570	2,639
New Westminster	Starlight Casino	6,237	6,058
Penticton	Lake City Casino	1,712	1,635
Prince George	Treasure Cove Casino	2,556	2,404
Quesnel	Billy Barker Casino	553	576
Richmond	River Rock Casino Resort	13,004	11,659
Surrey	Fraser Downs Racetrack and Casino	2,874	2,955
Vancouver	Edgewater Casino	5,881	6,266
	Hastings Racecourse Casino	1,289	1,356
Vancouver Total		7,170	7,622
Vernon	Lake City Casino	2,087	2,079
View Royal	Great Canadian Casinos View Royal	4,447	4,596
Total		\$ 72,984	\$ 73,731

host local government share of community gaming centre revenue


Local Government (in thousands of dollars)	Community Gaming Centre	Total 2010/11	Total 2009/10
Abbotsford*	Chances Abbotsford	\$ 807	\$ 566
Campbell River	Chances Campbell River	642	551
Courtenay	Chances Courtenay	676	623
Cowichan Indian Band	Chances Cowichan	764	706
Dawson Creek	Chances Dawson Creek	720	614
Fort St. John	Chances Fort St. John	787	683
Kamloops	Chances Kamloops	441	347
Kelowna	Chances Kelowna	1,469	1,249
Langley	Playtime Gaming Langley	130	101
Maple Ridge**	Chances Maple Ridge	319	—
Mission	Chances Boardwalk Mission	562	519
Port Alberni	Chances RimRock	425	365
Prince George***	Chances Good Time Prince George	—	42
Prince Rupert	Chances Prince Rupert	362	356
Squamish Nation****	Chances Boardwalk Squamish	241	49
Terrace	Chances Terrace	457	406
Williams Lake	Chances Signal Point	534	436
Total		\$ 9,336	\$ 7,613

* Chances Abbotsford opened in June 2009.

** Chances Maple Ridge opened October 15, 2010.

*** Chances Good Time Prince George closed June 6, 2009.

**** Chances Boardwalk Squamish opened in February 2010.



playing responsibly and sustainably

The core of our commitment to be positive game-changers is our Corporate Social Responsibility Charter: Playing it Right.

Created with input from BCLC employees, it guides our everyday actions to be catalysts of social, environmental and economic benefits for all British Columbians.

Learn more at www.bclc.com/cm/aboutbclc/csr/home.htm



GameSense leads the field

On top of the \$5.3 million of BCLC's net income that the Province directed to responsible gambling research, treatment and prevention, BCLC invested almost \$2.0 million last year on responsible gambling programs, including GameSense.

To support social responsibility and to broaden employee awareness of responsible gambling choices, BCLC launched an annual GameSense Week in January 2011. Employees completed an online course to increase working knowledge of responsible and problem gambling resources, and engaged in activities at both our Kamloops and Vancouver offices.

Our GameSense Information Centres across the province provide customers with helpful information in an approachable, accessible manner:

- Trained GameSense Advisors in casinos answer questions and provide interactive information on how to keep gambling fun and safe.
- Responsible play messages are also prominent on electronic media, posters, brochures and decals in BCLC gambling venues, lottery retail outlets and online.

Player interactions at GameSense Information Centres increased to 30,000 this year from 19,000 the previous year.

GameSense is globally recognized at the forefront of our field. BCLC is playing a leadership role with national collaboration on responsible gambling initiatives through the Interprovincial Lottery Corporation.


responsibility tools

Through comprehensive GameSense resources and programs, BCLC assists individuals and works with service providers to make responsible gambling tools available to players and staff.

Appropriate Response Training (ART) is an education program for B.C. gambling facility employees designed to increase responsible gambling awareness and equip employees with tools and knowledge to respond to players. Mandatory ART training is made available to all new front-line workers, management and security personnel. This year we continued to integrate ART onto BCLC's online learning portal to effectively deliver real-time training across the province. Today, nearly 13,500 service provider staff are ART certified.

The Voluntary Self-Exclusion (VSE) program is a resource for individuals who choose to discontinue gambling in B.C. gambling facilities and on PlayNow.com for a self-determined time frame that cannot be reduced or rescinded. Participants are encouraged to access free problem gambling counselling and resources funded by the Province. As of March 31, 2011, there were 7,291 people enrolled in the VSE program.

To help identify and prevent self-excluded people from entering gambling facilities, BCLC has implemented vehicle licence plate recognition technology. This technology currently operates in 10 casinos and two community gaming centres. Additional installations are planned in the coming year, where feasible. Last year, service provider staff identified and removed self-excluded people from gambling facilities 8,007 times. Licence plate recognition supported 1,883 of those interceptions. BCLC continues to test facial recognition technology as a further means to identify self-excluded people at gambling facilities.



playing by the rules

BCLC has developed comprehensive anti-money-laundering policies and practices and reports transactions to the Financial Transaction and Analysis Centre of Canada (FINTRAC) as required by legislation, and to other authorities, including law enforcement, as appropriate. Last year, BCLC filed over 61,000 transaction reports in accordance with federal law. BCLC's application of new reporting criteria set out by FINTRAC, combined with updated BCLC policies and ongoing staff training enhanced reporting compliance. About 99 per cent of frontline gambling facility staff have completed courses in anti-money laundering compliance.

BCLC's routine compliance measures include:

- Policy preventing the exchange of small denomination bills for larger ones
- Chip redemption policy
- Cheques issuance policy
- Monthly audits of cheques issuance process
- Comprehensive risk assessments supported by appropriate tracking
- Quality assurance process adhering to industry best practice

BCLC supports these measures with enhanced IT resources to manage electronic reporting of transactions and to increase tracking and reporting mechanisms for authorities.

Gambling is an entertainment choice for adults, and entry into gambling facilities in B.C. is restricted to people 19 years of age and older. Last year, casino staff turned away 4,953 people who were under 19 years of age or who could not provide proof of age when asked.

eGaming: a serious responsibility

Prior to launching eGaming, BCLC consulted global experts in responsible gambling so that we continued to provide a safe, fun player environment. Additional gambling activity controls, tools and educational resources were embedded in PlayNow.com and proactive measures will continue to be integrated as they evolve to support our industry-leading security:

- Strict age and residency controls with independent identity verification
- Player pre-set deposit limit with 24 hour delay for increase requests
- Session logs that show time and amount spent
- Purchase history so players can track play and spending for 52 weeks
- Responsible play and problem gambling help information on all pages
- Username and password-protected accounts, secure payment methods and strict privacy controls

PlayNow.com and bclc.com both link to a dedicated gamesense.ca web page updated with a section featuring parental controls and educational tools, including free BetStopper website-blocking software to help parents prevent minors from accessing online gambling websites.



keeping score

social

- ✓ CSR Charter: Playing it Right introduced
- ✓ More Appropriate Response Training integrated online
- ✓ Recognized as one of Canada's Top 100 Employers
- ✓ BetStopper content-blocking software offered free to B.C. parents
- ✓ GameSense for Parents added to gamesense.ca

environmental

- ✓ Relocated to a LEED-pending corporate office in Vancouver
- ✓ Met our corporate CO₂ emission target
- ✓ Developed "A Shade Deeper" employee recognition program for environmental sustainability
- ✓ Launched our corporate Environment Policy defining our commitment to greener operations

economic

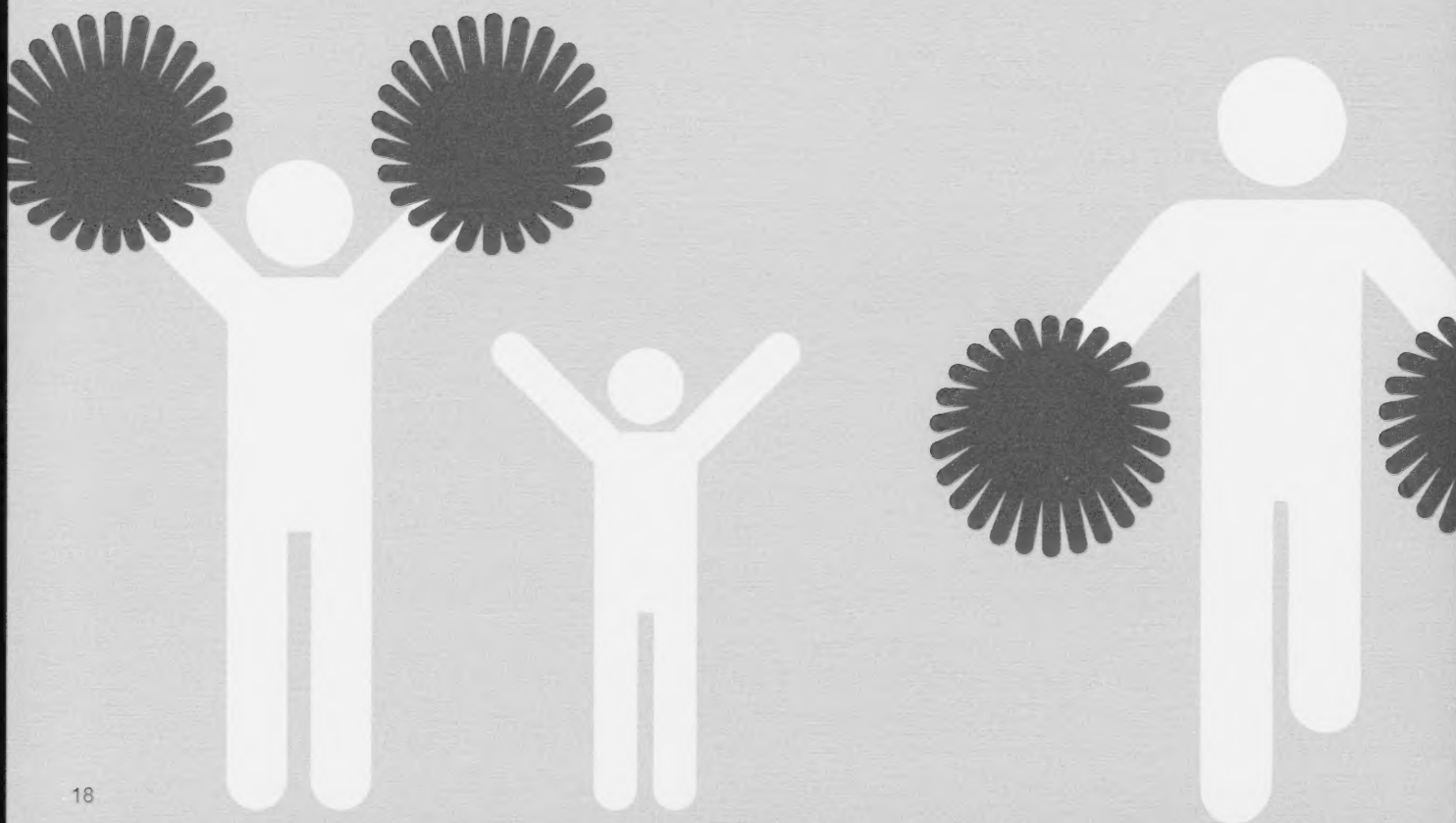
- ✓ Over \$1 billion net income directed to government programs
- ✓ 26,000 direct and indirect jobs in the gambling industry
- ✓ Employees raised almost \$50,000 for local United Way

cheering on communities

BCLC is a big fan of our province and people, demonstrated, in part, by our support of many regional and local sporting and special events. We are proud to be the Presenting Sponsor of the 2011 Western Canada Summer Games, which will bring thousands of athletes, coaches and spectators to Kamloops in August.

This year, BCLC visited nine communities around the province raising awareness about how gambling proceeds benefit provincial, municipal and charitable programs. This speaking tour was part of BCLC's annual community engagement program, which connects with elected officials, municipal staff, police, health authorities, chambers of commerce and charities to discuss the social and economic impacts of gambling on a community and to gain important feedback to support our operations. Since 2007, BCLC has hosted 47 sessions in 30 different communities.

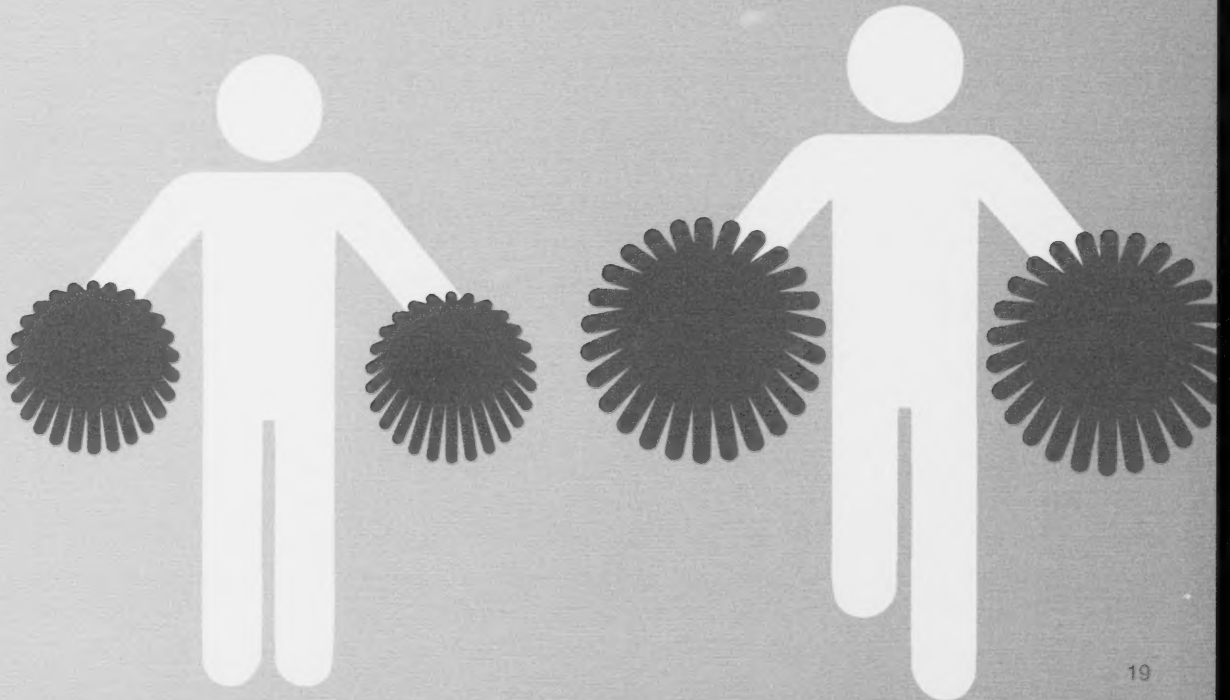
Host local governments benefit from casinos or community gaming centres. Twenty-nine host local governments received \$82.3 million in provincial payments—their share of net income from casino games.



greening our field

BCLC has gone to great lengths this past year to put environmentally sustainable practices into measurable action. Here is a recap:

- BCLC's Environment Policy officially launched in September. We also gathered more metrics to help us gauge reductions in greenhouse gas emissions, use of natural gas, petroleum, paper, waste and more.
- In December, we moved into our LEED-pending, energy-efficient offices in Vancouver with automated lighting, water-saving fixtures, a green roof and many other eco-friendly features. The location, near major routes, promotes staff transit use.
- Office compost collection in Vancouver diverted 1.5 metric tonnes from the landfill in its first three months.
- Public Transit and Ride Share programs were launched in both Kamloops and Vancouver.
- Our greenhouse gas emissions decreased for the second year in a row and self-imposed targets to continue cuts are on track.
- Natural gas use has dropped annually for three years and consumption of office paper is down to 2007 levels even with more employees.
- 72 per cent of BCLC vehicles are now fuel efficient or hybrid as a result of our conscientious procurement practice.
- Water use baseline has been set for the Kamloops office, which will help us in measuring efforts to reduce usage.
- Video conferencing data estimates indicate that in two years 270 tonnes of greenhouse gas emissions were avoided through less travel and more video conferencing.
- Staff rolled up their sleeves to conduct a waste audit to identify opportunities to recycle and divert waste.
- Our Green Committee's 10:10 monthly challenge engaged staff in contests to decrease waste and usage by 10 per cent at work and home in 2010.
- During Bike to Work Week staff cycled a total of 800 kilometres—equivalent to a return trip between Kamloops and Vancouver.
- BCLC now recycles retired slot machines and lottery terminals to vendors and plans are in the works for lottery ticket recycling at the retail level.



most valuable: players

Day-to-day BCLC is on the ground managing a \$2.7 billion enterprise, maintaining 11,500 slot machines, managing hundreds of table games, operating a suite of eGames and maximizing lottery fun. On the sidelines, we're busy anticipating and gearing up to deliver what our players want tomorrow and expect in years to come.

scoring big

BCLC continues to score points with players and service providers by creating new games, refreshing classics and diversifying how, when and what types of entertainment are on the roster.

- Almost 49 million lottery prizes were paid in B.C. totalling \$581 million
- 48 major lottery jackpots were won in B.C. worth a total of almost \$103 million
- The largest prize ever won in B.C., a \$50 million LOTTO MAX jackpot, was awarded this year
- BC Gold Card membership increased to 539,775 players compared to 455,000 last year
- eCasino revenue exceeded expectations by \$7.2 million
- PlayNow.com registered players increased to 166,000



serving up player favourites

LOTTO MAX proved extremely popular, resulting in record-setting jackpots and unprecedented lottery revenues. Lotto 6/49 and BC/49 are still crowd favourites. Also contributing to strong performance was the robust play of revitalized Scratch & Win, Pacific Hold'Em and Keno games.

Sports Action continues to do well in retail and hospitality venues where players enjoy big-game action with friends and peers, betting on final outcomes as well as propositions within the game, from touchdowns to power play goals. To build on this success, last fall, Sports Action launched on all Self-Service Terminals, which now conveniently offer all lottery games.

clicking with new audiences

BCLC opened new channels of player action on PlayNow.com this year with the addition of eCasino and ePoker. Players now have the opportunity to choose local over offshore internet entertainment to keep vital proceeds here in our province for the benefit of all British Columbians.

With a range of ePoker and eCasino games, including Texas Hold'Em, 5 Card Stud, Blackjack, Roulette and Baccarat, as well as tournaments and slots, BCLC players have more choice and convenience today, to sustain their enjoyment and PlayNow.com's future success.

drawing a crowd

In our casinos and community gaming centres across the province, BCLC refreshed or replaced 20 per cent of games to keep pace with player preferences.

A community gaming centre opened in Maple Ridge last fall and Edgewater Casino in downtown Vancouver updated the poker and high-limit amenities for customers. Chances Kelowna added 75 slot machines and is the location for our pilot test of server-based gaming technology, which will speed our delivery of player favourites and overall fun.

Trials of virtual Baccarat and electronic Roulette at Lake City Casino in Vernon last year were well received by players, leading to additions in River Rock, Starlight and Boulevard casinos. Provincial and regional Blackjack and slot tournaments, as well as major promotions like Carnival of Cash added to the excitement.

Leading with integrity

As a Crown agent, BCLC fully complies with the Province's disclosure requirements for public accountability and transparency detailed in *Best Practices Guidelines—BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations*. This includes Section 3 of the Board Resourcing and Development Office's stipulations detailed at www.bclc.com/cm/aboutbclc/corporategovernance.htm

Our formal governance framework encompasses BCLC's:

- corporate mandate, vision and mission
- principles and guidelines for our Board of Directors, Chairman, Standing Committees, President and Chief Executive Officer
- processes for strategic and succession planning
- procedures for Board performance evaluations
- Shareholder's Letter of Expectations outlining our commitment to deliver on performance expectations for the benefit of B.C.

Board

As per the *Gaming Control Act* (B.C.) and appointed by the Lieutenant-Governor in Council, the BCLC Board of Directors comprises nine members independent of management, chosen on the basis of expertise and experience. While BCLC's senior management attend all Board meetings, autonomy is maintained by convening an in camera session at the end of every meeting.

Fundamentally, the Board provides stewardship and ethical leadership with a view to long-term success in the best interests of the shareholder—the Government of B.C.—and assurance that our governance framework aligns BCLC business practices with Crown principles.

Overall Board duties are:

- overseeing the conduct of BCLC management, which is responsible for day-to-day operations
- working with management to develop and approve BCLC's vision, mission, values, business and service plans, priorities and capital and operational budgets
- advising on major policies regarding human resources, compensation, stakeholder communications and risk management
- reviewing risk factors and implementing resolution strategies
- evaluating annual financial results and measuring performance against objectives

Board members

Chairman: John McLernon, Vancouver

As the presiding Director responsible for leadership and performance, the Chair is appointed by the Lieutenant-Governor in Council and liaises between the Board and the Minister of Public Safety and Solicitor General.

Vice Chair: Arthur Willms, Vancouver

Directors:

Trudi Brown, Victoria

David Gillespie, Kamloops

Cindy Grauer, Vancouver

Walter Gray, Kelowna

Moray Keith, Delta

D. Neil McDonnell, North Vancouver

Michael Riley, Surrey

On appointment, and each year forward, Directors agree to act in accordance with Code of Conduct and Conflict of Interest Guidelines, performing in honest, good faith in the best interests of BCLC and with prudent skill, care and diligence.

board committees

The Board creates specific committees to fulfil responsibilities and provide recommendations. Committee Chairs report to the Board with findings and suggestions. The Chairman of the Board of Directors as well as BCLC's President & CEO are ex-officio members of all committees.

Audit Committee	<p>Purpose: Liaise with BCLC internal and external auditors to review financial operations; advise the Board of approved financial statements and quarterly reports; review financial information submitted to Government and the public; and oversee information systems, risk management and internal controls to ensure effective, accurate, appropriate and timely management</p> <p>Chair: Michael Riley</p> <p>Members: Arthur Willms; David Gillespie; Moray Keith</p>
Governance and Corporate Social Responsibility Committee	<p>Purpose: Ensure governance focus to improve BCLC's overall performance; oversee and enhance BCLC's scope of corporate social responsibility; evaluate and make recommendations on Board effectiveness; and develop criteria and succession planning for future Board composition</p> <p>Chair: David Gillespie</p> <p>Members: Trudi Brown; Walter Gray; Moray Keith</p>
Human Resources and Compensation Committee	<p>Purpose: Evaluate strategies, practices, succession plans and recommend future considerations; assess performance and compensation of the President & CEO; review employee compensation and benefits, management succession plans, human resource allocation and staff training programs to enhance performance-driven culture</p> <p>Chair: D. Neil McDonnell</p> <p>Members: Cindy Grauer; John McLernon</p>
BCLC Senior Management and Executives	<p>President & CEO: Michael Graydon</p> <p>Vice-Presidents: Peter Charlton, Human Resources Kevin Gass, Corporate Affairs Lynette Hughes, Transformation & Technology Jim Lightbody, Lottery Gaming Darryl Schiewe, Casino & Community Gaming Terry Towns, Corporate Security & Compliance Marsha Walden, Customer Strategy & Corporate Marketing Tom Williamson, Finance & Corporate Services</p>
B.C. Lottotech International Inc.	<p>A wholly owned subsidiary of BCLC, Lottotech's management and oversight is consolidated within BCLC operations. Board members listed above review and approve capital purchases through annual business planning and budgeting. The Officers of Lottotech are BCLC's President & CEO as well as the above Vice-Presidents.</p>

performing to expectations

BCLC optimizes our financial performance within the gaming and social policy framework established by the Province, providing our games and services in a socially responsible manner consistent with our responsibilities reflected in British Columbia's Responsible Gambling Strategy. A key component of our governance framework is the "Shareholder's Letter of Expectations", an agreement which clearly outlines our mutual commitment to deliver on performance expectations for the benefit of British Columbians. This letter, intended to define and promote a positive and cooperative working relationship, supports BCLC's mandate and identifies Government's strategic priorities and performance expectations for BCLC. Government directs BCLC to take specific actions. Our actions and the status of our activities to implement them are shown in the following chart.

[Click here to read BCLC's full Shareholder's Letter of Expectations.](#)

BCLC's shareholder's letter of expectations summary

Government Direction

BCLC Actions

Optimize the Corporation's financial performance and propose new revenue opportunities within the gaming and social policy framework established by the Shareholder;

Within the gaming and social policy framework established by the Province, in 2010/11, BCLC achieved \$1.105 billion in net income, \$10.4 million less than budgeted but \$25.5 million (2.4%) above the previous year.

BCLC benefited from a rebounding economy that provided consumers with additional discretionary income. This improvement, coupled with game enhancements, record lottery jackpots and the addition of new games to PlayNow.com contributed to growth in BCLC's net income.

Enhance the performance, integrity and efficiency of casino, bingo, lottery and egaming in response to customer and marketplace demand, through products, services and technology consistent with the Corporation's mandate;

BCLC is focusing on the player through innovative new games, services and marketing, continued improvements to casino and community gaming facilities and customer relations management. In 2010/11, we implemented casino-style games on PlayNow.com and opened a community gaming centre in Maple Ridge. LOTTO MAX continues to provide the exciting jackpots that our lottery players demand. Processes and technology to support the performance, integrity and efficiency of the business continue to be a key focus to sustain the current business and provide future growth potential. We continued to modernize our back office systems, focusing on Player Services and the Customer Support Centre, and began planning for the replacement of the gaming management system used in casinos and community gaming centres.

Ensure the Corporation's products and services are provided in a socially responsible manner and strengthen the Corporation's activities related to its social objectives in a manner consistent with the Province's Responsible Gambling Strategy and the Corporation's responsibilities reflected in that Strategy;

BCLC delivers products and services in a manner that encourages responsible gambling and healthy choices. We continue to focus our efforts on enhancing responsible gambling programs, and communicating about the availability of and access to programs, including voluntary self-exclusion. BCLC's GameSense program offers approachable and accessible materials to help players make informed decisions. Information is available at GameSense Information Centres in all casino and community gaming locations and is also available online at gamesense.ca, bclc.com and PlayNow.com.

We support the Province in its efforts to reduce the incidence and harmful impacts of problem gambling and to educate and raise public awareness of responsible gambling and problem gambling. BCLC also actively participates with other Canadian jurisdictions to strengthen the industry commitment to share responsible gambling best practices. In 2010/11 the World Lottery Association recognized BCLC's programs as the best in the world.

Ensure gaming products and services offered by the Corporation are consistent with the objectives of gaming security and integrity;

The integrity and security of BCLC's gaming systems is paramount to ensuring public trust and confidence in the games and services we offer our players. BCLC's priority to modernize our business infrastructure, including processes and technology, is key to continuing to provide integrity and security in our gaming systems.

Government Direction**BCLC Actions**

Implement the recommendations made by the provincial Ombudsman in May 2007 related to the Corporation;

Our final status report was publicly issued in June 2009. BCLC has continued to update the B.C. Ombudsperson on our progress. BCLC has implemented 22 of the 23 recommendations.

Implement recommendations made by Deloitte and Touche LLP in their independent audit of lottery operations in British Columbia undertaken in 2007 as directed by the Shareholder;

BCLC has implemented all of the audit recommendations.

Notify the Shareholder of the Corporation's resolution of any significant issues related to the implementation of recommendations of either the Ombudsman or Deloitte and Touche LLP;

BCLC is working closely with our Shareholder to maintain a shared understanding of any issues, including the costs, workload and the increased regulatory, audit, compliance and enforcement activities.

Operate in a manner consistent with the Gaming Policy and Enforcement Branch's regulatory responsibilities as they apply to the Corporation;

BCLC operates its business and financial activities within the legislative, regulatory and policy framework established by the Province.

BCLC and GPEB continue to meet on a quarterly basis to enhance cooperation and coordination between the organizations while respecting GPEB's independent role as regulator.

Build public and key stakeholder trust/support, by continuously improving the quality of service to customers and relationships with service provider partners;

Building public and stakeholder trust and support by improving the service for our players is a key strategy for BCLC. Continuous improvement is planned through programs such as player-focused training, ongoing management oversight, and collaboration with our service providers.

Comply with the policy directives that may be issued from time to time by the Minister Responsible for the *Gaming Control Act* and with policies, directives and standards that may be issued from time to time by the regulatory agency (the Gaming Policy and Enforcement Branch) established under the *Gaming Control Act*;

BCLC continues to comply with policy directives issued by the Minister, including directives and standards issued by GPEB.

Inform the Shareholder on a regular basis of any major changes occurring or likely to occur that may impact on the Corporation's achievement of its Service Plan targets either negatively or positively;

BCLC reports financial results to our Shareholder on a quarterly basis and regularly notifies our Shareholder of any major changes occurring or likely to occur that may impact the achievement of our Service Plan targets.

Operationalize carbon reduction plans developed by the Corporation in compliance with the Climate Action Secretariat's Framework for Greenhouse Gas Measurement and Reporting; Guidance for Crown Corporations; and

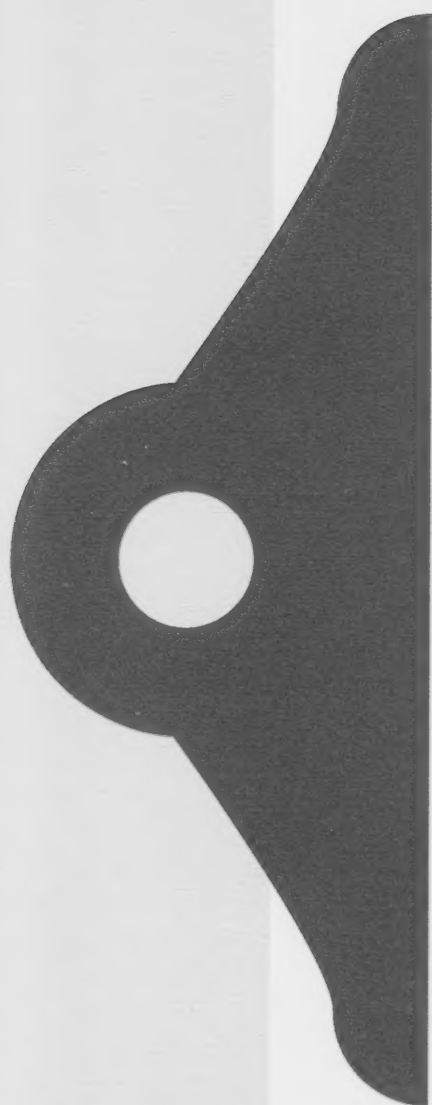
BCLC continues to develop and implement plans to reduce and offset the carbon emissions that result from our business operations.

We are extending our efforts to advance environmentally sustainable behaviours in our organizational culture through actively encouraging the development of ideas and solutions from employees at all levels of the organization.

Identify and implement healthy living policies, programs and client service objectives that contribute meaningfully to ActNow BC goals.

BCLC's creation and ongoing support of a healthy workplace, including promoting environmentally sustainable behaviour, has been recognized as a contributing factor in our selection as a top employer in Canada and in British Columbia. Through the communication of information about ways to improve wellness, in areas such as nutrition and smoking cessation and a continual review of program content and our delivery, we will continue to promote healthy living for our employees and their families.

BCLC delivers gambling in a manner that encourages responsible play and healthy choices, supported with programs such as voluntary self-exclusion and GameSense, which provides players with information about responsible gambling resources.



posting our results

BCLC's 2010/11 performance

Along with other Crown corporations, BCLC produces public Service Plans that detail our business plan and Annual Service Plan Reports that detail our progress in achieving those plans. These plans include financial information, consistent with the *Budget Transparency and Accountability Act* and the *Financial Information Act* requirements.

Within the overall framework of the Province's gaming policy and BCLC's mandate, BCLC's Board and senior management have established four goals to guide the organization in the achievement of our mission statement. To manage and direct performance against each of these goals, BCLC annually establishes specific strategies with associated performance measures and targets. BCLC sets performance targets based on trends in current performance and the expected impact of our programs to maintain or improve performance, or other marketplace factors. These goals, strategies and performance measures form the framework that guides planning and decision-making at all levels of the organization.

Performance measures are reviewed each year as part of BCLC's annual business planning process. This process includes an assessment of the business insight and strategic value of each performance measure, as well as reviewing and setting targets for future years.

Our results are reported against the targets we set. If our strategies are successful, we should be reaching our targets. If BCLC has a rating below our target, we will need to adjust the programs we are implementing or how we are delivering them.

If BCLC is continually exceeding a target, we may need to adjust the measure, the way we survey or how we calculate results in order to improve insight into our level of success.

We also benchmark our performance results against the results of other gambling organizations on an annual basis. The organizations selected for benchmarking provide geographical coverage across Canada and internationally, and were selected for the relevance of their operations in comparison to BCLC, as well as the public availability of their results.

These organizations are the Ontario Lottery and Gaming Corporation (OLG), Loto-Québec (LQ), the Swedish gaming company Svenska Spel (Svenska) and the Canadian and United States gaming totals. Svenska is widely regarded as the most innovative international lottery and Internet gambling jurisdiction. The Canadian and United States gaming totals provide insight into BCLC's financial performance against national and United States norms. Data for benchmarking our performance results against other gambling organizations is obtained from publicly available reporting. An assessment of the performance results published by other gambling organizations in September 2010 did not find additional benchmarking opportunities.

Data used to set BCLC's performance targets is obtained from internal and external sources. BCLC net win and net income results for previous years are obtained from our audited financial statements. Net win and net income forecasts and targets and other financial measures are obtained from internal management reports. BCLC contracts with an external professional agency to conduct a continuous tracking study to assess our level of success. The study is conducted online throughout the year with a sample of 3,000 B.C. adults and includes questions pertinent to our performance measures. BCLC refers to BC Stats for population information.

For performance measures that BCLC is able to benchmark with the organizations listed above, BCLC calculates a "benchmark average" using the annually reported results for each comparator organization (not including BCLC) and presents charts that display our results along with the benchmark average.

alignment of 2010/11 goals, strategies and performance measures

Perspective	Goals	→ Strategies	→ Performance Measures
PUBLIC/ PLANET	1. Build public trust and support for BCLC gaming	1. Demonstrate a high level of corporate citizenship and social responsibility in all of our activities	<ul style="list-style-type: none"> • Public support for gaming (%) • Public trust and confidence in BCLC games (%) • Player awareness of responsible gambling activities (%) • Level of greenhouse gas (GHG) emissions (CO₂e)
PLAYER	2. Create a player-centric company	2. Develop facilities and design innovative games to grow the business 3. Create an integrated multi-channel player community	<ul style="list-style-type: none"> • Player satisfaction (%) • Player participation (%) • Net win (\$ millions) • Net win per capita (\$)
FINANCIAL/ OPERATIONS	3. Invest in infrastructure and technology innovation to support current business operations and future growth	4. Design processes and implement technology that improves operational effectiveness and prepares for the future	<ul style="list-style-type: none"> • Net Income (\$ millions) • Operating cost ratio (% net win) • Electronic gaming devices per capita
PEOPLE	4. Have a workforce passionately driving the success of our business	5. Make BCLC a great place to work	<ul style="list-style-type: none"> • Employee engagement (%) • Employee vacancy rate (%)

Public/Planet

Goal 01: build public trust and support for BCLC gaming

public support for gaming (%)

calculation

In a continuous tracking study conducted by an external research supplier, adult British Columbians are asked to use a 7-point scale whereby "1" is "strongly disagree" and "7" is "strongly agree" to rate the statement, "I fully support the existence of legalized gambling in British Columbia". Support for gaming is based on the results of the top three box responses.

rationale

This metric measures the percentage of adult British Columbians who support legalized gambling, which is central to BCLC's management of gambling. Public opinion is influenced by the tone and type of media coverage of gambling issues and policy decisions in B.C. and other jurisdictions.

management comments

Providing the public with information about how BCLC conducts and manages gambling in B.C. and how government uses BCLC's net income to fund programs for British Columbians is important for public support for gambling. To this end, BCLC airs public service commercials about how proceeds from gambling benefit provincial programs and services such as health care, education and community initiatives.

Events related to PlayNow.com, voluntary self-exclusion, federal regulatory reporting requirements and continuing reports on government gaming grants have had a negative effect on this metric.

BCLC is committed to managing and operating gambling in a socially responsible and publicly accountable manner. We take a balanced approach to managing the market including investments in our responsible gambling program GameSense, which offers approachable and accessible materials to help players make informed decisions about our gambling products. BCLC also promotes public awareness of, and access to, provincially funded services.

target not achieved

public support for gaming (%)



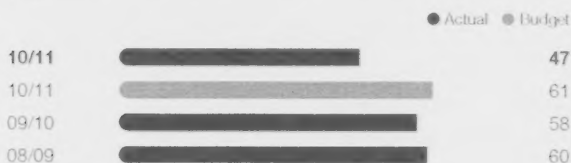
As this survey has a methodology specific to BCLC, this metric is best analyzed on a time series basis.

Data source

Research and Incite Consultants

target not achieved

public trust and confidence in BCLC games (%)



As this survey has a methodology specific to BCLC, this metric is best analyzed on a time series basis.

Data source
Research and Incite Consultants

public trust and confidence in BCLC games (%)

calculation

In a continuous tracking study conducted by an external research supplier, adult British Columbians are asked to use a 7-point scale whereby "1" is "strongly disagree" and "7" is "strongly agree" to rate the statement, "I have trust and confidence in the games offered by BCLC." Results are based on the top three box responses.

rationale

This performance metric was intended to measure the percentage of adult British Columbians who have confidence in the integrity of BCLC's games. However, the results for this metric overlap with the results BCLC already receives for Public Support for Gaming. Therefore, we plan to eliminate this measure.

management comments

Events related to PlayNow.com, voluntary self-exclusion, federal regulatory reporting requirements and continuing reports on government gaming grants have had a negative effect on BCLC's results for this metric.

We will continue to strengthen responsible gambling awareness, systems and programs that enhance player security and the integrity of gambling. Results will continue to be measured under the public support for gaming metric.

player awareness of responsible gambling activities (%)

calculation

In a continuous tracking study conducted by an external research supplier, BCLC players are asked about their awareness of specific responsible gambling initiatives. The calculation represents the percentage of players who are aware of at least one of these initiatives.

In 2010/11, we reduced the number of initiatives used to calculate net awareness for this measure. This will result in a lower percentage achievement, but will provide greater insight into the level of success of our responsible gambling initiatives. As a comparison, the result using this new calculation in 2009/10 would have been 70 per cent.

rationale

A key component of BCLC's mandate is our commitment to the delivery and enhancement of responsible gambling programs. This measure tracks the level of success of responsible gambling player education programs.

management comments

BCLC is committed to managing and operating gambling in a socially responsible and publicly accountable manner. Our achievement of the highest level of responsible gambling certification from the World Lottery Association recognizes BCLC's adoption and implementation of international best practices for responsible gambling and the ongoing review of problem gambling research.

GameSense is aimed at dispelling myths and misinformation about gambling and promoting healthy and informed choices. GameSense offers responsible play information through staffed information centres at all B.C. casinos, self-service information at all community gaming centres, printed materials and public service announcements on television. BCLC is also continuing to improve the curriculum and the availability of responsible play education programs for BCLC employees, service providers and retailers.

target exceeded

player awareness of responsible gambling activities (%)



player awareness of responsible gambling activities (historical) (%)



As this survey has a methodology specific to BCLC, this metric is best analyzed on a time series basis.

BCLC will monitor and update if/when other gambling organizations adopt a comparable metric.

Data source

Research and Incite Consultants

target exceeded*

level of greenhouse gas emissions (CO₂e tonnes by calendar year)



* Following a March 2010 change to the government conversion factors for emissions, the 2010 target has been recalculated using the new methodology (2010 target was 1,418.)

This metric may be used by the Province to ensure BCLC is meeting the provincial reduction requirements.

Data source

External suppliers, BCLC internal reporting

level of greenhouse gas emissions (CO₂e)

calculation

BCLC uses standard calculations provided by the Province to convert and report our greenhouse gas (GHG) emissions in a standard format. This calculation is completed and reported in metric tonnes of carbon dioxide emissions (CO₂e) for the calendar year. Data is obtained from suppliers of electricity, natural gas, fleet fuel, paper suppliers and from internal financial and procurement reporting.

rationale

BCLC must meet the requirements for carbon neutrality set out in the *Greenhouse Gas Reductions Target Act* and pursue actions to minimize GHG emissions. BCLC's reportable GHG emissions result from buildings, fleet vehicles and certain office paper supplies.

BCLC views sustainability as a key component of corporate social responsibility and is advancing environmentally sustainable behaviors in our organizational culture as an integral component of business modernization.

management comments

BCLC is formalizing our sustainability management approach to seek further GHG reduction opportunities. Led by an environmental sustainability specialist, all levels of the organization are being encouraged to develop sustainability solutions. BCLC plans to reduce our reportable emissions by 33 per cent by 2020, consistent with the provincial target. This requires a reduction from the 2007 baseline of 1,610 CO₂e tonnes to 1,079 CO₂e tonnes in 2020.

Initiatives to reduce our carbon footprint, include the move to a LEED-pending Vancouver office, upgrades to our Kamloops office HVAC system, replacing corporate fleet vehicles with hybrid alternatives, enhancing procurement practices to include sustainable criteria, and reducing paper consumption. These activities helped reduce emissions by just over 100 tonnes, compared to our 2009 performance.

We plan to continue to enhance our measurement and reporting of progress on meeting carbon neutrality requirements.

Player

Goal 02: provide facilities and games to develop the business

player participation (% at least monthly)

calculation

In 2010/11 BCLC adjusted this metric to measure the percentage of adult British Columbians who play a BCLC game or visit a BCLC gambling facility at least monthly, measured using a survey which asks how frequently they participated in each of the games offered in the previous month. The results are comprised of the percentage of B.C. adults who played at least monthly.

Using this new calculation method in 2009/10, BCLC's result was 46 per cent, which will be used for comparison purposes only.

rationale

Starting in 2010/11, this metric measures the percentage of adult British Columbians who participated at least monthly in BCLC games.

This change was made (from "played in the past year") so that we can more clearly determine if program changes are resulting in changes in player participation, particularly among infrequent players.

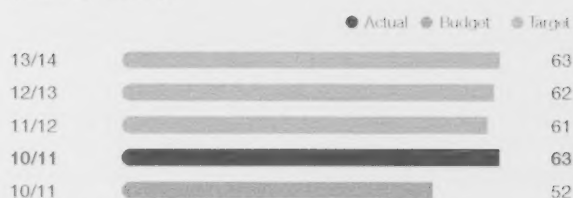
management comments

Player participation depends on our ability to provide exciting and relevant entertainment experiences for players, where and when it is convenient for them to play.

Over the past year an unprecedented number of jackpot rolls occurred on LOTTO MAX, which resulted in lottery participation rising significantly. Participation on PlayNow.com grew following the launch of casino-style games; visitation to casino and community gaming facilities also rose.

target exceeded

player participation (% at least monthly)



As this survey will continue to have a methodology specific to BCLC, this metric is best analyzed on a time series basis. BCLC will monitor and update it/when other gambling organizations adopt a comparable metric.

Data source

Research and Incite Consultants

player participation (historical) (% past year)



target not achieved

player satisfaction (%)



As this survey has a methodology specific to BCLC this metric is best analyzed on a time series basis. BCLC will monitor and update it/ when other gambling organizations adopt a comparable metric.

Data source

Research and Incite Consultants (2010/11) and Ipsos Reid (2009/10)

player satisfaction (%)

calculation

Player and visitor satisfaction is an average of player and visitor satisfaction metrics for lottery, PlayNow.com, casino, community gaming and bingo gambling, weighted according to the channel's contribution to BCLC's net win. An external research supplier asks BCLC players from each gambling channel to rate their overall satisfaction with the BCLC gambling they participate in; our results are based on the top five box scores from a standard 10-point scale.

In 2011/12 BCLC plans to modify this metric calculation so that enterprise satisfaction is a composite average of the satisfaction levels in each gambling channel (without net win weighting), providing a better indication of the gambling we offer.

rationale

This performance metric measures player satisfaction for the products, services and facilities offered in all of BCLC's gambling channels. This performance measure is directly linked to BCLC's ability to continue to generate revenue. The metric also gauges the overall success BCLC has in attracting and retaining players to BCLC products and visitors to our gambling facilities and building loyalty.

management comments

The drop in player satisfaction levels is directly related to participation by players in multiple gambling channels and the associated net win weighting. In 2011/12 BCLC is modifying the methodology to remove this factor.

Satisfaction ratings are also impacted by events related to PlayNow.com.

We are continuing to increase our focus on managing the relationship with our players. By examining player needs and preferences across all of our gambling channels, we will better understand where programs for improvements to player-facing activities can improve the level of satisfaction and grow our business.

net win (\$ millions)

calculation

Net win is the amount of revenue after prizes have been paid to players.

Net win is calculated for lottery and bingo games by deducting prizes from total revenue. Casino game prizes are paid during game play.

rationale

Net win is used to compare sales across gambling channels.

management comments

BCLC optimizes our financial performance within the gambling and social policy framework established by the Province.

General economic conditions have negatively impacted our service providers, resulting in delays to facility improvements. However, BCLC benefited from a rebounding economy that provided consumers with additional discretionary income.

BCLC's net win in 2010/11 was \$46 million or 2.2 per cent below our target, but a 4.5 per cent increase over our previous year's results.

Net win growth is expected to come from focus on our six core products: slot machines, baccarat, blackjack, Lotto 6/49, LOTTO MAX and Keno. We will introduce new lottery distribution channels, continue to enhance existing casino facilities and develop community gaming centres, along with improved marketing, slot machine yield management and the introduction of server-based gaming. Growth in PlayNow.com net win will continue to come from casino-style games.

target not achieved

net win (\$ millions)



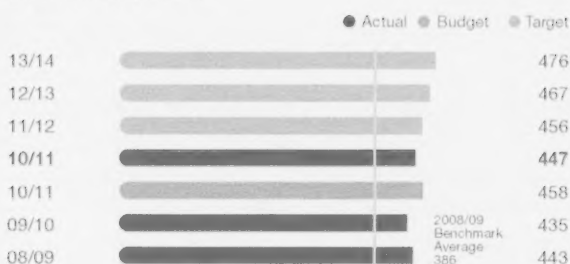
BCLC net win is not benchmarked with other jurisdictions due to differences in the types of gambling offered, the differing gambling models and population levels. BCLC's net win is analyzed on a time series basis.

Data source

BCLC audited financial statements

target not achieved

net win per capita (\$ per 1,000 population)



2008/09 net win per capita benchmarks (\$ per 1,000 population)



BCLC benchmarks amongst organizations with similar gambling offerings. Although not a metric until 2009/10, BCLC has provided historical information for comparison purposes.

Data source

BC Stats, BCLC, and Loto-Québec annual reports, Ontario Lottery and Gaming audited financial statements, BCLC audited financial statements

net win per capita (\$per 1,000 population)

calculation

Net win is the calculation of our revenue after prizes are paid. Net win is divided by the total population based on publicly reported population figures to obtain per capita metrics.

Video lottery terminal (VLT) revenue is included in benchmarking results from Loto-Québec and the Canada Total comparators to give a complete picture of total spending on gambling. The Province of British Columbia does not permit VLTs.

rationale

This measure indicates the extent to which BCLC is able to balance offering gambling entertainment with responsible play to grow income. Net win per capita is widely used in the gambling industry, making consistent benchmarking possible.

management comments

To entertain our players, BCLC strives to design innovative games and player services, and high quality gambling facilities. Growth in recent years has come primarily from the casino business and the upgrades that transform commercial bingo halls to community gaming centres.

We deliver our games in a manner that encourages responsible play and healthy choices and continue to focus our efforts on enhancing our GameSense program for players.

Our results in 2010/11 were slightly behind budget.

BCLC's plans for providing entertaining games, player-focused services, enhanced facilities, marketing promotions and contests are ways we will attract and retain players to maximize net win in all of our gambling channels.

Financial/Operations

Goal 03: invest in infrastructure to support current business operations and future growth

net income (\$ millions)

calculation

Net income is the calculation of total sales after prizes and all other expenses have been deducted.

Net income is determined in accordance with Generally Accepted Accounting Principles and subject to audit verification.

rationale

Net income is distributed to the Province and is used to fund public health care, education, charitable and community programs that benefit all British Columbians.

As a result of an agreement between the federal and provincial governments, the Government of Canada receives a portion of BCLC's net income.

management comments

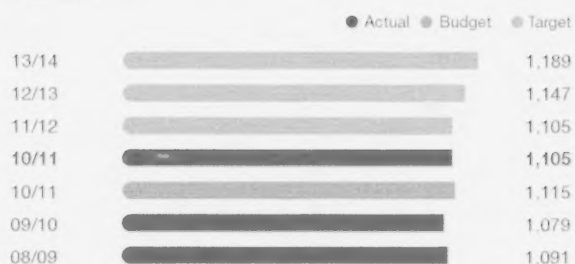
BCLC optimizes our financial performance within the gambling and social policy framework established by the Province. In 2010/11, BCLC net income again exceeded \$1.0 billion. At more than 99 per cent of budget, this year's net income exceeded the previous record set in 2008/09 by \$13.9 million, and last year's net income by more than \$25.5 million.

BCLC benefited from a rebounding economy that provided consumers with additional discretionary income. This improvement, coupled with game enhancements, record lottery jackpots and the addition of new games to PlayNow.com contributed to growth in BCLC's net income.

BCLC will continue to focus on revenue-generating initiatives, strategically balancing our costs to operate the business and modernizing our business infrastructure in order to sustain current operations and support the future growth of net income.

target not achieved

net income (\$ millions)



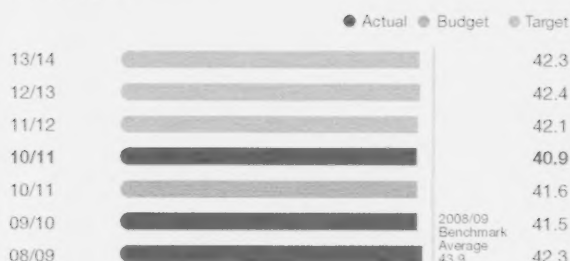
BCLC net income is not benchmarked with other jurisdictions due to differences in the types of gambling offered, the differing gambling models and population levels. BCLC's net win is analyzed on a time series basis.

Data source

BCLC audited financial statements

target exceeded

operating cost ratio (% of net win)



2008/09 operating cost benchmarks (% of net win)



BCLC operating cost results are benchmarked with other jurisdictions who have similar gambling offerings.

Data source

BCLC, Ontario Lottery and Gaming, Loto-Québec and Svenska Spel annual reports, L'affaire's World Lottery Almanac

operating cost ratio (% of net win)

calculation

This metric is the result of consolidated operating costs divided by consolidated net win, calculated from information available publicly in BCLC's financial statements and expressed as a percentage.

Operating costs include BCLC service provider commissions, which serves to more closely normalize the different operating models of other jurisdictions (i.e. instead of operating our facilities directly, BCLC pays commissions to service providers).

rationale

This performance indicator measures the ratio of consolidated operating costs as a percentage of net win. BCLC uses this measure to assess our success in balancing the generation of sales with the cost of operating the business, providing insight into our operational effectiveness.

management comments

BCLC's operating cost ratio for 2010/11 was 0.7 per cent better than target. This is the result of our focus on revenue-generating initiatives and continued cost management to reduce expenses below our budget.

While BCLC has been focused on growing the business, we have also invested more heavily in infrastructure, technology, compliance and people in order to modernize our business infrastructure, systems and processes.

These investments in modernizing our business continue to elevate costs, but are being offset by decreases in other areas of our business. BCLC's operating expenses continue to be lower than targets for the last two years and remain below the 2008/09 benchmark average of comparator gambling organizations.

electronic gaming devices per capita

calculation

This metric is the result of the number of slot machine and electronic gaming devices, divided by the total population, multiplied by 1000 and expressed as a ratio.

BCLC uses "total population" for this measure to benchmark with other jurisdictions, where the age of participation in gambling differs from B.C.

BCLC does not set annual targets for this metric.

rationale

This metric provides a measure of the accessibility of BCLC gambling to British Columbians and compares it over time. In B.C., electronic gaming devices are limited to slot machines located in casino and community gaming centre facilities, where access is limited to adults.

We compare the accessibility of electronic gaming devices in B.C. across various jurisdictions. Government policy regulates the types of gaming devices that are available in each Canadian province.

management comments

Gambling policy varies across the Canadian provinces. In B.C., Provincial policy excludes VLTs, limiting participation in this category to slot machines located in casino and community gaming facilities, where accessibility is restricted to adults. OLG does not have VLTs and as other jurisdictions reduce or reallocate VLTs we expect the benchmark average to decline.

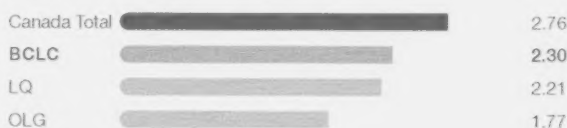
B.C.'s socially responsible gambling model provides comparable revenue to other jurisdictions. The number of devices in B.C. has grown as BCLC has worked with our service providers to transform commercial bingo halls into community gaming centres in selected market locations.

BCLC is continuing with the strategies to develop casinos and community gaming centres to meet market demand, with a focus on entertainment.

devices per capita (per 1,000 population)



2008/09 devices per capita benchmarks (per 1,000 population)



Data source

BC Stats, specific data prepared by BCLC

People

Goal 04: have a workforce passionately driving the success of our business

target not achieved

employee engagement (%)



BCLC's engagement survey is a reflection of a broad range of attributes that are important to BCLC: player-focus, delivering an outstanding gambling experience, social responsibility and making BCLC a great place to work.

The survey results can not be directly benchmarked and are best analyzed on a time series basis.

Data source
Ipsos Reid

employee engagement (%)

calculation

BCLC measures the level of employee engagement using an employee survey that reflects our unique culture, values and business objectives.

The survey is conducted on an annual basis through an external research agency. Fluctuations in engagement scores are expected during times of organizational change and transformation.

rationale

This performance metric measures the engagement level of BCLC employees. Employee engagement is defined as the intellectual and emotional involvement employees have in an organization.

Highly engaged employees exert extra effort and are dedicated to doing the very best job possible to contribute to the organization's success. Organizations with high employee engagement are more successful at retaining and recruiting employees.

management comments

The survey conducted in January 2011 provided an engagement result of 80 per cent, a drop of 3.0 per cent from the previous year.

BCLC continues to focus on transforming to a player-focused company, requiring the modernization of business systems and processes. We also relocated our lower mainland office in 2010.

BCLC's focus is on programs to develop our leadership teams, communicate our corporate goals and strategies, develop workforce management and support employee recognition. We will continue to support these programs and develop further improvements in the areas of employee recognition, training and development, career advancement and workforce productivity.

employee vacancy rate (%)

calculation

This metric provides the average percentage of vacant positions in the process of being filled (replacement or additional positions actively being recruited internally and externally) as a proportion of BCLC's total headcount. The year-end result is calculated by averaging the month-end rates.

The samplings done in order to set targets for this measure approximated BCLC's vacancy at 6.3 per cent for 2007/08 and 4.6 per cent for 2008/09.

rationale

This measure was new in 2009/10. It is intended to measure BCLC's employee morale and turnover, competitiveness and the effectiveness of recruitment processes.

The vacancy rate provides a high level metric that is subject to considerable variation based on factors such as organizational growth, internal personnel movement, employee demographics and external market conditions. As such, it must be interpreted within the context of the time frame that it is being measured.

management comments

BCLC's result for 2010/11 of 1.2 per cent was better than our target, which was set during a period where we anticipated some workforce growth and continued difficulty in sourcing skilled talent.

In response to a number of external and internal economic factors, in 2010/11 there was limited organizational growth and the external skills shortage temporarily subsided.

Vacancies were mainly the result of employee turnover, which remains relatively low. Given these factors, our recruitment activity for 2010/11 was lower than originally forecast.

target exceeded

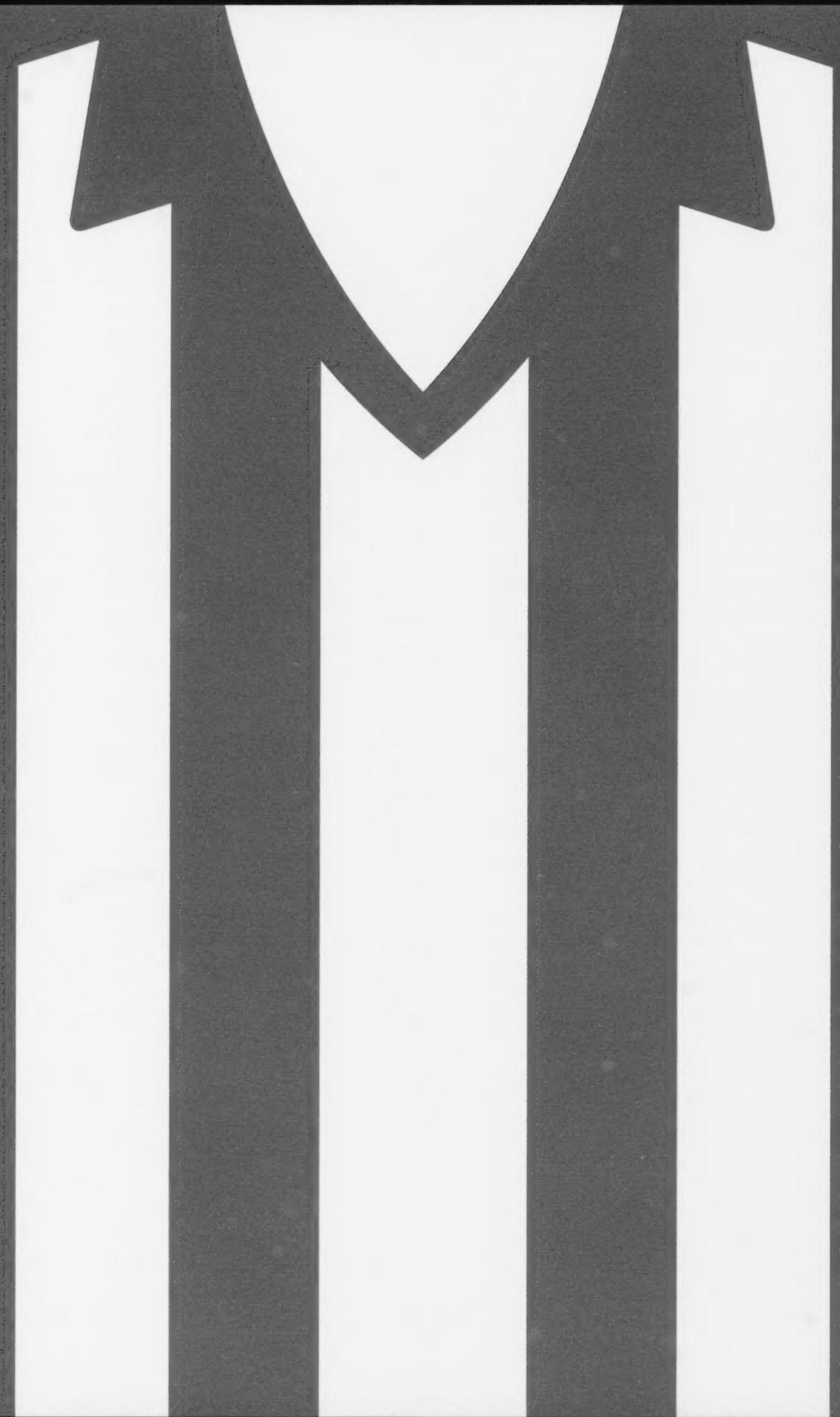
employee vacancy rate (%)



This measure is not calculated by other industry comparators. This measure may be implemented by other commercial crowns to facilitate benchmarks across B.C. crown entities in future years.

BCLC will report this measure on a time series basis.

Data source
BCLC internal reporting



risk and capacity

BCLC has a formal enterprise risk management framework, with consistent risk identification and evaluation and formalized action plans for all significant risks. BCLC conducts detailed risk assessments for all significant corporate projects and develops project risk treatment plans. Progress is reported to steering groups on a regular basis.

BCLC has an established Enterprise Risk Management Advisory Committee to support the risk management program with senior representatives from all divisions. Quarterly risk reports, including an updated enterprise risk register and progress against our annual risk plan are presented to BCLC senior management and the Audit Committee of the Board of Directors.

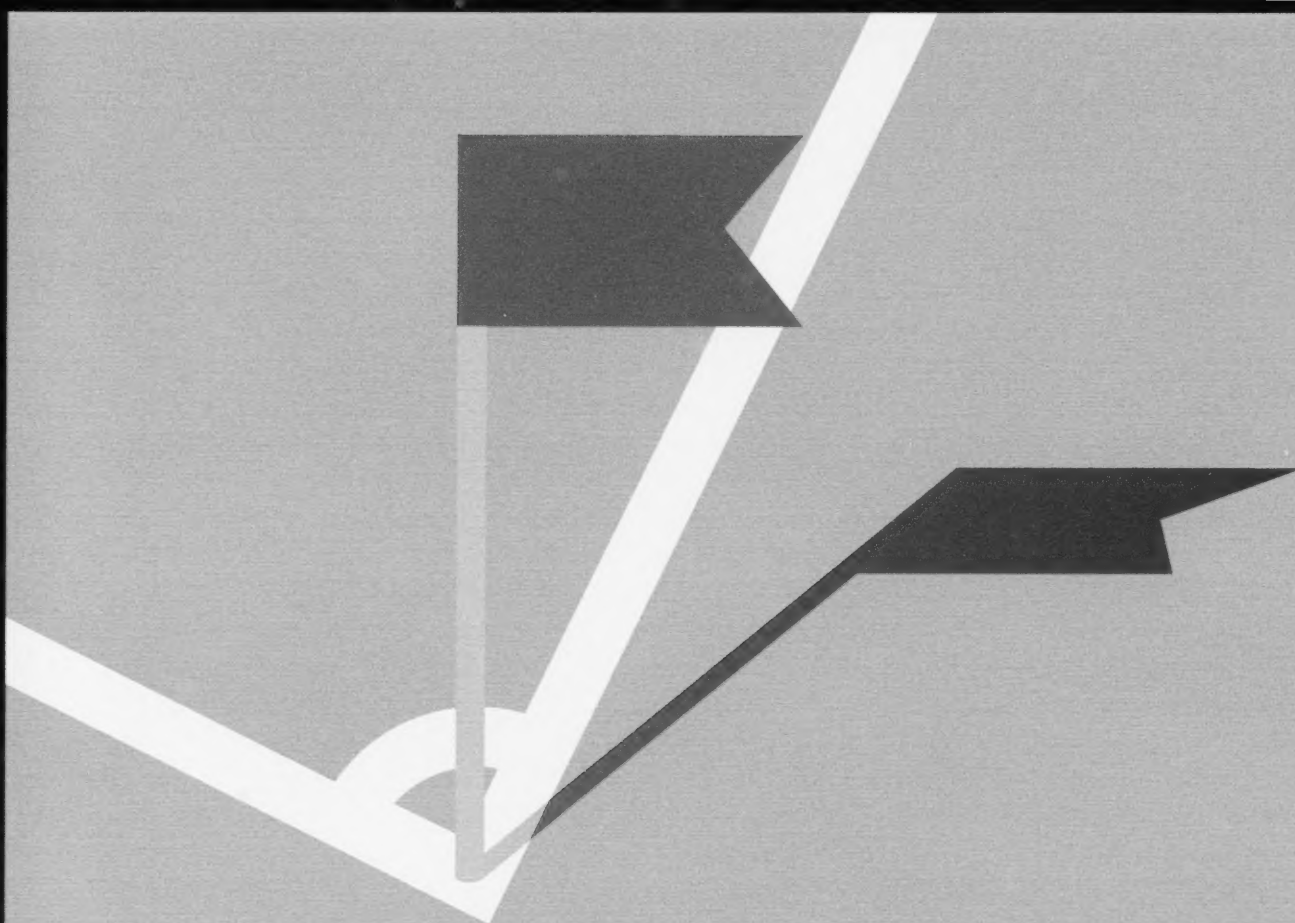
Issues	Risks	Key Responses
Evolving consumer preferences		
BCLC products, services and product delivery methods may not appeal to existing or new players.	If our products become less appealing or our services or delivery methods do not keep pace with player preferences, product sales, gambling facilities visits and play on PlayNow.com will decrease, impacting our revenue and net income generated for the Province.	<p>BCLC has an ongoing focus on business innovation and product development and this year we updated and enhanced our approach.</p> <p>BCLC revitalized Keno and Scratch & Win games and also added Sports Action as an option at Self-Service Terminals. This, together with the success of LOTTO MAX contributed to record lottery revenues.</p> <p>The launch of eCasino and ePoker games on PlayNow.com helped raise player interest and the number of registered players.</p> <p>BCLC uses a variety of methods to listen to players. A director of player experience was appointed this year and BCLC is developing a road map for becoming player centric.</p>
Systems and technology		
BCLC's operations are highly dependent upon technology and require well designed and managed processes.	We have a complex portfolio of systems that support our business which need to be updated or replaced in step with the growth and evolution of our business.	<p>BCLC continues to upgrade systems and technologies improving functionality and reducing dependence on legacy systems, preparing us for future opportunities. This includes the selection of a preferred vendor for a new gaming management system for casino and community gaming centre operations.</p> <p>BCLC's backup data centre was transferred to a new state-of-the art facility in Kamloops.</p>

Issues	Risks	Key Responses
Service provider management		
BCLC relies on private sector service providers in many areas of our business, in particular for the operation of our gambling facilities.	Service providers may be impacted by challenging economic conditions or may not carry out BCLC's plans as defined in contracts or other agreements. A decline in customer service, delays in facility improvements or service provider business failure may negatively impact BCLC's operations and net income.	<p>BCLC has monitored the financial performance of our service providers throughout the year and receives regular financial reports from all its key service providers.</p> <p>Contingency and risk reduction plans have been developed and are reviewed as necessary.</p> <p>BCLC regularly updates its casino and community gaming standards, policies and procedures and also audits service providers for compliance.</p> <p>As BCLC has developed new products and services we have engaged with a number of third party specialists. We continue to develop and refine the procurement process in line with regulation and best practice.</p>
Security and integrity		
Security and integrity are essential for the successful operation of our business.	Any concerns in this area could have an impact on our players, compliance with regulation and public trust.	<p>BCLC regularly conducts internal audits, inspections, investigations and reviews and has also invested in mystery shopper exercises and a number of external reviews.</p> <p>We have taken steps to strengthen compliance with federal anti-money laundering legislation, including enhanced training, reporting system improvements, and the appointment of a director of compliance.</p> <p>We have implemented mandatory privacy training for all staff.</p>

Issues	Risks	Key Responses
Public trust and support		
Public trust is central to BCLC's management of gambling.	Public concern about BCLC or topics related to gambling may affect our mandate to conduct and manage gambling.	<p>This year, we launched the Benefits to B.C. public information campaign to raise awareness of how gambling proceeds benefit provincial, community and charitable programs.</p> <p>Events related to voluntary self-exclusion, responsible gambling, FINTRAC reporting requirements, PlayNow.com and potential facility relocations have had an impact.</p> <p>We have enhanced our license plate recognition program used to support our voluntary self-exclusion program and continue to test facial recognition.</p> <p>We are committed to continuous improvements to GameSense, which has been recognized by the World Lottery Association.</p> <p>We have and continue to enhance our FINTRAC reporting systems, processes and training.</p> <p>BCLC's Privacy Breach Policy successfully guided our response to the PlayNow.com privacy breach. The website was reviewed and tested before re-launch in August 2010. BCLC has implemented most of the Privacy Commissioner's recommendations with a commitment to complete all.</p> <p>BCLC is committed to managing the gambling marketplace and ensuring communities are appropriately consulted in keeping with the requirements of the <i>Gaming Control Act</i> (B.C.)</p>

Capacity

BCLC continues to invest in its existing workforce through an extensive, multi-level leadership development process. An online learning management system also provides a valuable link to on demand training that strengthens our ability to develop our workforce. This year, BCLC's approach has been to sustain staff resourcing at or near current levels. To ensure our capacity is utilized effectively, BCLC is engaged in workforce resource planning and management.



management discussion and analysis

- The Management Discussion and Analysis reviews the financial condition and results of operation of BCLC for the fiscal year ended March 31, 2011 and should be read in conjunction with the Corporation's audited financial statements.

financial overview

	2006/07	2007/08	2008/09	2009/10	2010/11	2010/11	2010/11	2010/11	2011/12	2012/13	2013/14
	Actual	Actual	Actual	Actual	Actual	Budget	Variance	Variance from Prior Year	Target	Target	Target
Revenue											
Lottery	\$ 997.4	\$ 976.9	\$ 954.2	\$ 937.9	\$1,062.4	\$1,023.0	\$ 39.4	\$124.5	\$1,045.0	\$1,095.0	\$1,135.0
Casino	1,208.9	1,322.1	1,341.3	1,321.6	1,339.3	1,396.0	(56.7)	17.7	1,390.0	1,420.0	1,465.0
Community gaming	218.9	260.2	254.7	257.8	277.0	281.0	(4.0)	19.2	291.0	297.0	302.0
	2,425.2	2,559.2	2,550.2	2,517.3	2,678.7	2,700.0	(21.3)	161.4	2,726.0	2,812.0	2,902.0
Prizes	650.8	647.1	599.7	577.6	652.3	627.6	(24.7)	74.7	627.6	625.0	638.2
Net Win	1,774.4	1,912.1	1,950.5	1,939.7	2,026.4	2,072.4	(46.0)	86.7	2,098.4	2,187.0	2,263.8
Expenditures											
Lottery	157.7	158.9	165.4	155.4	170.9	170.4	(0.5)	15.5	184.0	190.7	191.6
Casino	493.5	536.9	566.4	567.7	567.1	600.4	33.3	(0.6)	605.3	636.2	664.5
Community gaming	70.0	87.4	94.3	99.9	103.5	105.2	1.7	3.6	108.7	113.9	115.9
	721.2	783.2	826.1	823.0	841.5	876.0	34.5	18.5	898.0	940.8	972.0
Net income before tax	1,053.2	1,128.9	1,124.4	1,116.7	1,184.9	1,196.4	(11.5)	68.2	1,200.4	1,246.2	1,291.8
GST/HST	34.4	40.0	33.7	37.6	80.3	81.4	1.1	(42.7)	95.4	99.2	102.8
Net income											
Lottery	283.5	263.9	256.4	266.7	289.0	265.7	23.3	22.3	277.3	303.4	326.2
Casino	698.6	761.8	758.1	731.3	724.4	748.2	(23.8)	(6.9)	728.8	726.6	740.4
Community gaming	36.7	63.2	76.2	81.1	91.2	101.1	(9.9)	10.1	98.9	117.0	122.4
	\$1,018.8	\$1,088.9	\$1,090.7	\$1,079.1	\$1,104.6	\$1,115.0	\$ (10.4)	\$ 25.5	\$1,105.0	\$1,147.0	\$1,189.0
Profit margin	42.0%	42.6%	42.8%	42.9%	41.2%	41.3%	(0.1)%	(1.7)%	40.5%	40.8%	41.0%
Debt	\$ 0.0	\$ 0.0	\$ 0.0	\$ 60.0	\$ 85.0	\$ 0.0	\$ 85.0	\$ 25.0	\$ 87.2	\$ 99.3	\$ 116.3
Capital expenditures	\$ 43.9	\$ 60.5	\$ 97.4	\$ 92.5	\$ 81.3	\$ 141.5	\$ (60.2)	\$ 11.2	\$ 109.3	\$ 130.0	\$ 125.0

In 2010/11, BCLC achieved a record \$1.105 billion net income on record revenue of \$2.679 billion. At more than 99 per cent of budget, this year's net income exceeded the previous record set in fiscal 2008/09 by \$13.9 million, and last year's net income by more than \$25.5 million.

This year, BCLC benefited from a rebounding economy that provided consumers with additional discretionary income. This improvement, coupled with game enhancements, record lottery jackpots, and the expansion of our PlayNow.com platform contributed to growth in BCLC's net income before taxes of 6.1 per cent—almost double the estimated growth in the provincial real GDP.

Each year, BCLC prepares a three-year service plan against which its results are measured. As part of this annual process, the Corporation re-committed to the strategic cost management program that began last year. Careful spending management this year resulted in total operating costs that were \$18.3 million under budget. Capital spending was \$60.2 million less than planned, in part because of delays in a number of infrastructure projects.

performance measurement

BCLC's performance measurement framework is updated annually as part of its business planning process. This framework guides decision-making at all levels of the organization and has been used to assess our 2010/11 operational performance against the targets and budgets established in the Service Plan (www.bclc.com/documents/ServicePlan_1011-1213.pdf). BCLC also compares its performance to other gaming organizations that make their results publicly available. These comparator organizations were selected from across Canada and internationally for the relevance of their operations in comparison to BCLC's.

international financial reporting standards

The *Budget Transparency and Accountability Act* specifies that the Government and government organizations conform to the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, unless otherwise directed by Treasury Board. Accounting standards for senior government are understood to mean standards established by the Public Sector Accounting Board (PSAB), which directs Government Business Enterprises (GBE) to adhere to IFRS. Treasury Board has directed BCLC to adopt International Financial Reporting Standards (IFRS).

BCLC is adopting IFRS effective April 1, 2011. The Corporation will implement the required accounting policy changes under IFRS and the Corporation's financial statements for the year ended March 31, 2012, with comparative financial results for 2011, will be prepared in accordance with IFRS.

The Corporation has completed a project to identify and evaluate the implications and impacts of IFRS. BCLC will continue to accumulate and assess IFRS information in order to be prepared to comply with the directions of Treasury Board for the Corporation's year ended March 31, 2012.

economic outlook

Current economic indicators suggest that B.C.'s economy will continue to experience modest growth throughout 2011 and 2012.

BCLC's strategy will be to continue to invest in new revenue generation opportunities, strategically manage costs, and upgrade critical infrastructure in order to optimize corporate performance as the economy improves.

A more detailed discussion of initiatives and opportunities can be found in our three year Service Plan and on our website (www.bclc.com).

lottery operations

	2006/07	2007/08	2008/09	2009/10	2010/11	2010/11	2010/11	Variance
	Actual	Actual	Actual	Actual	Actual	Budget	Variance	From Prior Year
Revenue								
Retail network	\$ 742.5	\$ 709.7	\$ 710.7	\$ 691.7	\$ 807.5	\$ 742.8	\$ 64.7	\$ 15.8
Hospitality network	240.6	248.5	220.0	212.6	211.9	227.2	(15.3)	(0.7)
eGaming	14.3	18.7	23.5	33.6	43.0	53.0	(10.0)	9.4
	997.4	976.9	954.2	937.9	1,062.4	1,023.0	39.4	124.5
Prizes	543.5	542.8	521.8	505.3	581.5	563.8	(17.6)	16.6
Net win	453.9	434.1	432.4	432.6	480.9	459.2	21.8	141.1
Direct expenses	85.4	79.0	75.5	71.3	77.2	74.7	(2.6)	(5.9)
Operating expenses	72.3	79.9	89.9	84.1	93.7	95.8	2.1	(9.6)
Net income before taxes	296.2	275.2	267.0	277.2	310.0	288.7	21.3	32.8
GST/HST	12.7	11.3	10.6	10.5	21.0	23.0	2.0	(10.5)
Net income	\$ 283.5	\$ 263.9	\$ 256.4	\$ 266.7	\$ 289.0	\$ 265.7	\$ 23.3	\$ 22.3
Lottery retailers	4,321	4,033	4,046	4,044	3,994	4,095	(101.0)	(50.0)
Lottery terminals	4,074	3,969	3,995	4,002	3,962	4,050	(88.0)	(40.0)

lottery revenue (\$ millions)



Lottery net income of \$289.0 million exceeded budget by \$23.3 million and the previous year by \$22.3 million. Revenue was up sharply, and for the first time surpassed the \$1 billion mark, reaching a record \$1.062 billion.

Profitability was up across a number of product areas, led by the performance of LOTTO MAX. Surpassing statistical projections by more than three-fold, the \$50 million jackpot maximum was reached 16 times in 2010/11. This resulted in sales of \$248.6 million that out-paced budget by more than 67 per cent. Sales of instant tickets also out-performed expectations, reflecting the success of the brand rejuvenation and pricing strategies implemented this year.

This year, BCLC continued to invest in the PlayNow.com eGaming business, introducing both casino-style games and poker onto the popular platform. Despite the technical difficulties associated with the initial launch, eCasino games have been very well received, with net win of \$14.5 million almost doubling the \$7.3 million forecast. Overall, eGaming contributed \$8.6 million to BCLC's net income against a plan of \$10.7 million—a 72 per cent increase over 2009/10. Player registrations in 2010/11 grew to 166,000 from 134,000 last year.

casino operations

	2006/07	2007/08	2008/09	2009/10	2010/11	2010/11	2010/11	Variance
	Actual	Actual	Actual	Actual	Actual	Budget	Variance	from
								Prior Year
Revenue								
Slot machines	\$ 869.9	\$ 973.9	\$ 961.4	\$ 954.6	\$ 959.7	\$1,031.9	\$ (72.2)	\$ 5.1
Table games	318.2	325.8	356.4	343.9	357.1	341.5	15.6	13.2
Poker	20.8	22.4	23.5	23.1	22.5	22.6	(0.1)	(0.6)
	1,208.9	1,322.1	1,341.3	1,321.6	1,339.3	1,396.0	(56.7)	17.7
Prizes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net win	1,208.9	1,322.1	1,341.3	1,321.6	1,339.3	1,396.0	(56.7)	17.7
Direct expenses	408.9	450.4	473.6	461.5	463.9	482.0	18.1	(2.4)
Operating expenses	84.6	86.5	92.7	106.2	103.2	118.4	15.2	3.0
Net income before taxes	715.4	785.2	775.0	753.9	772.2	795.6	(23.4)	18.0
GST/HST	16.8	23.4	16.9	22.6	47.8	47.4	(0.4)	(25.0)
Net income	\$ 698.6	\$ 761.8	\$ 758.1	\$ 731.3	\$ 724.4	\$ 748.2	\$ (23.8)	\$ (6.9)
Casinos	16	17	17	17	17	17	0	0
Slot machines	6,951	7,837	8,818	9,438	9,476	9,542	(66)	38
Tables	464	481	485	478	461	498	(67)	(47)

casino revenue (\$ millions)



Casino revenue of \$1.339 billion showed a \$17.7 million increase over last year, but was \$56.7 million less than plan. In 2010/11, players continued to eschew slot machines in favour of table games. This year table game revenue exceeded budget by \$15.6 million and the prior year by \$13.2 million, while slot machine revenue, although up \$5.1 million from last year, fell \$72.2 million short of plan.

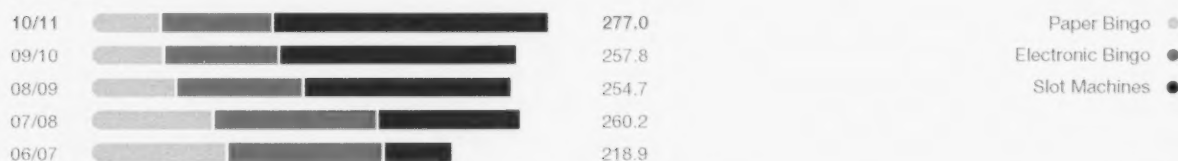
Major construction and infrastructure developments in the Lower Mainland continue to affect a number of casinos. The Canada Line SkyTrain station adjacent to the River Rock Casino has had a markedly positive impact on revenue; however, the Port Mann/Highway 1 construction project has had a deleterious effect on the Boulevard Casino.

community gaming operations

	2006/07	2007/08	2008/09	2009/10	2010/11	2010/11	2010/11	Variance
	Actual	Actual	Actual	Actual	Actual	Budget	Variance	from Prior Year
Revenue								
Paper bingo	\$ 82.7	\$ 74.3	\$ 51.9	\$ 44.3	\$ 42.2	\$ 37.4	\$ 4.8	\$ (2.1)
Electronic bingo	94.5	99.2	76.8	69.5	67.9	63.4	4.5	(1.6)
Slot machines	41.7	86.7	126.0	144.0	166.9	180.2	(13.3)	22.9
	218.9	260.2	254.7	257.8	277.0	281.0	(4.0)	19.2
Prizes	107.3	104.3	77.9	72.3	70.8	63.8	(7.0)	1.5
Net win	111.6	155.9	176.8	185.5	206.2	217.2	(11.0)	20.7
Direct expenses	53.8	66.9	70.7	74.0	78.8	79.3	0.5	(4.8)
Operating expenses	16.2	20.5	23.6	25.9	24.6	25.9	1.3	1.3
Net income before taxes	41.6	68.5	82.5	85.6	102.8	112.0	(9.2)	17.2
GST/HST	4.9	5.3	6.3	4.5	11.6	10.9	(0.7)	(7.1)
Net income	\$ 36.7	\$ 63.2	\$ 76.2	\$ 81.1	\$ 91.2	\$ 101.1	\$ (9.9)	\$ 10.1
Commercial halls	20	15	13	13	11	10	1	(2)
Independent operators	15	15	14	7	6	—	6	(1)
Community Gaming Centres	6	12	14	15	16	17	(1)	1
Slot machines	497	1,105	1,378	1,581	1,850	1,867	(17)	269

community gaming revenue

(\$ millions)



Community gaming revenue was up \$19.2 million from the prior year, falling only \$4.0 million short of budget as a result of a number of facility opening delays.

Despite the solid performance by community gaming centres (CGCs) overall, traditional bingo games continue to experience year-over-year declines as players demonstrate a continuing preference for casino-style games. This year, CGC slot machines out-performed 2009/10 by \$22.9 million, but fell short of an aggressive \$180.2 million budget by \$13.3 million.

capital spending

	2006/07	2007/08	2008/09	2009/10	2010/11	2010/11	2010/11
	Actual	Actual	Actual	Actual	Actual	Budget	Variance
Lottery	\$ 9.0	\$ 12.0	\$ 23.4	\$ 19.4	\$ 13.9	\$ 29.2	\$ 15.3
Casino	22.0	32.4	49.4	44.7	34.4	57.3	22.9
Community gaming	7.2	12.0	13.5	11.7	4.1	12.2	8.1
Corporate	5.7	4.1	11.1	16.7	28.9	42.8	13.9
Capital expenditures	\$ 43.9	\$ 60.5	\$ 97.4	\$ 92.5	\$ 81.3	\$ 141.5	\$ 60.2

From year to year, capital spending varies significantly in response to revenue and gambling facility initiatives. In 2010/11, capital spending of \$81.3 million was \$11.2 million less than last year. The positive budget variance reflects the rescheduling of several major infrastructure projects, positive foreign exchange rates and cost savings achieved through competitive bid processes and contract negotiations. The actual spending of \$81.3 million does not include commitments of \$10.0 million.

capital spending (\$ millions)



B.C. Lottotech International Inc.

The consolidated statements of the British Columbia Lottery Corporation include B.C. Lottotech International, a wholly owned subsidiary of the Corporation. The primary purpose of B.C. Lottotech is to purchase capital assets for BCLC. These assets are leased back to BCLC and the major expense is the amortization on the capital acquisitions. The management and oversight of B.C. Lottotech is consolidated within BCLC operations and the Board reviews and approves capital purchases through the annual business planning and budget process.

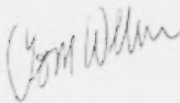
	2010/11	2009/10
Revenue (\$ thousands)		
Lease revenue	\$ 62,702	\$ 65,971
Expenses		
Amortization	62,546	66,119
Other expenses (income)	1,300	(625)
	63,846	65,494
Net income (loss)	\$ (1,144)	\$ 477

management's responsibility for financial reporting

The financial statements of BCLC have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements present fairly the financial position of BCLC as at March 31, 2011, and the results of its operations and cash flow for the year then ended.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial information in a timely manner.

KPMG, LLP, Chartered Accountants have performed an independent audit of BCLC and expressed an unqualified opinion on the financial statements of BCLC.



Tom Williamson
CFO and Vice-President, Finance & Corporate Services



Michael Graydon
President & CEO

independent auditors' report

To the Directors of and Minister Responsible for British Columbia Lottery Corporation:

We have audited the accompanying consolidated financial statements of the British Columbia Lottery Corporation ("the Entity"), which are comprised of the balance sheet as at March 31, 2011 and the statements of income and comprehensive income, amounts due to Government of British Columbia, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

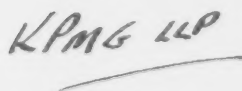
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the British Columbia Lottery Corporation as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Vancouver, Canada
June 1, 2011

	2011	2010
ASSETS		
Current assets:		
Cash (note 4)	\$ 48,539	\$ 33,538
Short-term investments (note 5)	28,970	29,628
Accounts receivable (note 6)	24,206	25,859
Receivable from Interprovincial Lottery Corporation	-	4,247
Prepaid expenses	3,962	3,708
Inventories (note 7)	9,541	9,379
	115,218	106,359
Accrued pension plan asset (note 8)	34,302	32,404
Property and equipment (note 9)	144,815	142,198
Intangible assets (note 10)	31,091	21,375
	\$ 325,426	\$ 302,336

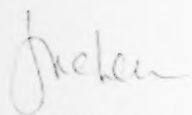
LIABILITIES

Current liabilities:		
Cheques issued in excess of funds on hand	\$ -	\$ 5,635
Prizes payable	27,198	25,483
Accounts payable and accrued liabilities	53,276	44,095
Payable to Interprovincial Lottery Corporation	3,142	-
Short-term financing (note 11)	85,049	59,996
Due to Government of British Columbia	115,757	128,715
	284,422	263,924
Accrued post retirement benefit obligation (note 8)	41,004	38,412
	\$ 325,426	\$ 302,336

Commitments and contingencies (notes 16 and 17)

See accompanying notes to consolidated financial statements.

Approved:



John McLernon
Chair, Board of Directors



Michael Riley
Chair, Board Audit Committee

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME
Year ended March 31, 2011, with comparative figures for 2010
(In thousands of dollars)

	2011	2010
Revenue (note 12):		
Lottery	\$ 1,062,379	\$ 937,920
Casino	1,339,272	1,321,625
Community Gaming	277,036	257,811
	2,678,687	2,517,356
Prizes	652,296	577,611
Net win	2,026,391	1,939,745
Direct expenses:		
Commissions	589,728	569,854
Ticket printing and bingo paper	13,347	15,453
Equipment supplies, leases, and licenses	16,790	21,426
	619,865	606,733
Net win less direct expenses	1,406,526	1,333,012
Operating expenses:		
Administrative expenses	151,038	149,259
Amortization	66,270	68,869
Other expenses	5,520	32
	222,828	218,160
Income from operations	1,183,698	1,114,852
Non-operating income (expenses):		
Net horse racing betting fees (note 13)	1,252	1,878
Harmonized Sales Tax expense (note 20)	(80,310)	(37,650)
	(79,058)	(35,772)
Net income, being comprehensive income	\$ 1,104,640	\$ 1,079,080
Allocation of net income:		
Government of British Columbia	\$ 1,095,742	\$ 1,070,404
Government of Canada (note 14)	8,898	8,676
	\$ 1,104,640	\$ 1,079,080

Sector activity information (note 19)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF AMOUNTS DUE
TO GOVERNMENT OF BRITISH COLUMBIA
Year ended March 31, 2011, with comparative figures for 2010
(In thousands of dollars)

	2011	2010
Balance, beginning of year	\$ 128,715	\$ 201,736
Net income	1,104,640	1,079,080
	1,233,355	1,280,816
Payments to Government of British Columbia	1,108,700	1,143,425
Payments to Government of Canada (note 14)	8,898	8,676
	1,117,598	1,152,101
Due to Government of British Columbia	\$ 115,757	\$ 128,715

See accompanying notes to consolidated financial statements.

	2011	2010
CASH PROVIDED BY (USED IN):		
OPERATIONS:		
Net income	\$ 1,104,640	\$ 1,079,080
Adjustments for:		
Amortization of property and equipment	57,116	63,283
Amortization of intangible assets	9,154	5,586
Loss (gain) on disposal of property and equipment	2,478	(398)
	1,173,388	1,147,551
Changes in non-cash operating items:		
Accounts receivable	1,653	21,183
Receivable from Interprovincial Lottery Corporation	4,247	(4,247)
Prepaid expenses	(254)	3,476
Inventories	(162)	(3,112)
Accrued pension plan asset	(1,898)	(10,665)
Prizes payable	1,715	(16,236)
Accounts payable and accrued liabilities	9,181	(7,811)
Payable to Interprovincial Lottery Corporation	3,142	—
Accrued post retirement benefit obligation	2,592	3,124
	1,193,604	1,133,263
FINANCING:		
Increase in short-term financing	25,053	59,996
Payments to Government of British Columbia	(1,108,700)	(1,143,425)
Payments to Government of Canada (note 14)	(8,898)	(8,676)
	(1,092,545)	(1,092,105)
INVESTMENTS:		
Additions to property and equipment	(62,875)	(71,139)
Additions to intangible assets	(18,878)	(14,211)
Proceeds on disposal of property and equipment	672	1,290
	(81,081)	(84,060)
Increase (decrease) in cash and cash equivalents	19,978	(42,902)
Cash and cash equivalents, beginning of year	57,531	100,433
Cash and cash equivalents, end of year	\$ 77,509	\$ 57,531
Cash and cash equivalents are comprised of:		
Cash (note 4)	\$ 48,539	\$ 33,538
Short-term investments (note 5)	28,970	29,628
Cheques issued in excess of funds on hand	—	(5,635)
Cash and cash equivalents, end of year	\$ 77,509	\$ 57,531

See accompanying notes to consolidated financial statements.

1. Nature of the Corporation:

The British Columbia Lottery Corporation (BCLC or the Corporation) is a Crown corporation. BCLC was incorporated under the *Company Act* of British Columbia on October 25, 1984, and is continued under the *Gaming Control Act* (B.C.). As an agent of the Crown, the Province has designated the Corporation as the authority to conduct, manage and operate lottery schemes on behalf of the Province, including lottery, casino, bingo and eGaming. BCLC is also the regional marketing organization for national lottery games which are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation.

2. Significant accounting policies:

(a) Basis of presentation:

- (i) The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).
- (ii) The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation.

(b) Cash:

Cash includes cash balances on deposit and gaming bankrolls.

(c) Short-term investments:

Short-term investments include investments in overnight deposits with financial institutions having an original maturity date of 90 days or less. Short-term investments are highly liquid and form an integral part of the Corporation's cash management. As such, they are a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(d) Financial instruments:

The Corporation has designated or classified its financial assets and liabilities as follows:

Cash, short-term investments, and cheques issued in excess of funds on hand have been designated as held for trading and are measured at their fair values, with changes in fair value recognized in the consolidated statement of income.

Accounts receivable and receivable from Interprovincial Lottery Corporation have been classified as loans and receivables and are measured at amortized cost; and

Prizes payable, accounts payable and accrued liabilities, payable to Interprovincial Lottery Corporation, short-term financing, and amounts due to the Government of British Columbia have been classified as other financial liabilities and are measured at amortized cost.

(e) Inventories:

Inventories are recorded at the lower of cost (determined on a first-in, first-out basis) and net realizable value. The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present locations. Inventories are written down to their net realizable values when the cost of the inventories is not estimated to be recoverable.

2. Significant accounting policies (continued):

(f) Property and equipment:

The Corporation's policy on capital purchases is that any significant purchase which has a useful life that extends one year beyond the current year will be capitalized.

The Corporation's property and equipment is recorded at its cost less accumulated amortization. Amortization is taken over the estimated useful lives of the assets on a straight-line basis starting when the assets are available for use. Amortization is taken at the following annual rates:

Asset	Rate
Corporate facilities and equipment	5 to 15 years
Corporate information systems	3 years
Lottery gaming systems and equipment	5 years
Casino gaming systems and equipment	3 to 5 years
Community gaming systems and equipment	3 to 5 years

Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset.

If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(g) Intangible assets:

Costs incurred in developing or acquiring computer software products or systems that will benefit future periods through revenue generation and/or cost reduction are capitalized as intangible assets.

The cost of internally developed intangible assets is comprised of developmental costs that are directly attributable to creation, production, and preparation of the asset to be capable of operating in the manner intended by management. These costs are capitalized if they meet all of the following criteria:

- The technical feasibility of completing the software for use has been demonstrated,
- The Corporation has demonstrated its intention to use the software,
- The Corporation has demonstrated its ability to use the software,
- The usefulness of the software in generating probable future economic benefit has been demonstrated,
- There are adequate technical, financial and other resources to complete the development of the software, and
- The expenditure attributable to the software can be measured reliably during its development.

2. Significant accounting policies (continued):

(g) Intangible assets (continued):

Capitalized software is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of the assets (three to five years). An intangible asset that is subject to amortization is tested for impairment only when events or changes in circumstances indicate that its carrying amount may not be recoverable. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. An impairment loss for an intangible asset is not reversed upon subsequent increase of the fair value of such assets.

(h) Employee future benefits:

The Corporation has defined benefit pension plans (the registered plan and supplementary plan) covering substantially all of its employees. The benefits are based on length of service and the average of the 60 consecutive months of highest pensionable earnings. The cost of the registered plan is funded by employee and employer contributions. The supplementary plan is not funded.

The Corporation also sponsors post-retirement benefit life insurance and health care plans for substantially all retirees. The Corporation measures the costs of its obligations based on estimates provided by independent actuaries.

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and other employee future benefits. The Corporation has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method and management's best estimate of expected plan investment performance, salary escalation, membership data and expected health care costs.
- The expected return on plan assets is calculated based on the fair value of plan assets.
- Past service costs from plan amendments or initiations are amortized on a straight-line basis over the expected average remaining service life (EARSL) of active members expected to receive benefits under the plan.
- Cumulative gains and losses in excess of 10 per cent of the greater of the accrued benefit obligation and the market-related value of plan assets are amortized over the average remaining service period of active members expected to receive benefits under the plans. The EARSL for the registered plan and the supplementary plan are 13 years and seven years respectively.
- An unfunded liability may be amortized over no more than 15 years through special payments as required under the *Pension Benefits Standards Act*.
- If the plan has a solvency deficiency determined on or after January 1, 1998, equal payments must be made at least quarterly in an amount that is sufficient to amortize the solvency deficiency. These payments must be made over a period not exceeding five years from the review date that established the solvency deficiency. This is required per the *Pension Benefits Standards Act* under Section 35(3c) of the Pension Benefits Standards Regulations.
- There were no changes in plan provisions, actuarial cost methods or the asset valuation method since the last disclosure as of March 31, 2010.

2. Significant accounting policies (continued):

(i) Revenue recognition:

Lottery:

The recognition of sales and the corresponding direct expenses for electronically generated lottery tickets sold through retail terminals and online through PlayNow.com is at the date of the draw. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue, and the associated direct costs are recorded as prepaid expenses.

The recognition of lottery sales and the corresponding direct expenses for all instant ticket games is at the time of the transfer of legal ownership to the retailer.

Revenue from eCasino and ePoker is recorded in the consolidated statement of income, net of prizes paid, in the same period the game is played. Revenue from other lottery products (including eGaming) is recorded in the consolidated statement of income in the same period the games are played. Related operating costs are recorded in the consolidated statement of income in the period they are incurred.

Casino:

Revenue from casino slot machines and table games is recorded in the consolidated statement of income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in the consolidated statement of income in the period they are incurred.

Community Gaming:

Revenue from the operation of paper, electronic, and linked bingo and the associated selling costs and prize expenses are included in the consolidated statement of income in the same period the games are played. Revenue from community gaming slot machines is recorded in the consolidated statement of income, net of prizes paid, in the same period the games are played. Related operating costs are recorded in the consolidated statement of income in the period they are incurred.

(j) Prize expenses:

Lottery prize expenses are recorded based on the actual prize liability experienced for each game, with the exception of instant ticket games which are recorded at theoretical prize liabilities for each game.

For instant ticket games, the actual expense incurred each year will vary from theoretical estimates based on the nature of games of chance. Over the life of a game, the actual prize expense will equal the theoretical expense.

Expired prizes are recorded as reductions in prize expense in the year of expiry.

2. Significant accounting policies (continued):

(k) Commissions:

Commissions paid to lottery retailers are based on revenue earned. BCLC recognizes these commissions as revenue is earned.

Commissions paid to casino, community gaming and bingo service providers are based on net win earned. BCLC recognizes these commissions as net win is earned.

BCLC employs a commission structure that enables casino, community gaming and bingo service providers to earn additional commission (facility development commission (FDC) and accelerated facility development commission (AFDC)), up to contractually determined limits, based on net win generated for properties where facility enhancements have been undertaken by the service providers.

The FDC and AFDC are recognized as a commission expense to BCLC as net win is earned.

(l) Income taxes:

As the Corporation is an agent of the Crown it is not subject to federal or provincial corporate income taxes or corporate capital taxes.

(m) Estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Significant areas subject to such estimates and assumptions include employee future benefits and estimated useful lives and recoverability of property and equipment. Actual results could differ from these estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in income in the year they become known.

(n) Sector activity reporting:

The Corporation's reportable sectors are strategic business units that represent distinct distribution channels that offer similar products and services. These sectors are lottery, casino, community gaming, and horse racing. The sector activity is illustrated in note 19. The accounting policies of the sectors do not differ from the accounting policies of the Corporation.

3. Changes in accounting policy:

(a) Future accounting changes:

(i) International Financial Reporting Standards (IFRS):

The *Budget Transparency and Accountability Act* specifies that the Government and government organizations conform to the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, unless otherwise directed by Treasury Board. Accounting standards for senior government are understood to mean standards established by the Public Sector Accounting Board (PSAB), which directs Government Business Enterprises (GBE) to adhere to IFRS. Treasury Board has directed BCLC to adopt IFRS.

BCLC is adopting IFRS effective April 1, 2011. The Corporation will implement the required accounting policy changes under IFRS and the Corporation's financial statements for the year ended March 31, 2012, with comparative financial results for 2011, will be prepared in accordance with IFRS.

The Corporation has completed a project to identify and evaluate the implications and impacts of IFRS. BCLC will continue to accumulate and assess IFRS information in order to be prepared to comply with the directions of Treasury Board for the Corporation's year ended March 31, 2012.

4. Cash:

	2011	2010
Casino and community gaming cash floats	\$ 41,120	\$ 24,104
Funds held for security deposits	3,353	7,958
Funds held for eGaming wallets	2,262	1,476
Unrestricted operating cash	1,804	–
	\$ 48,539	\$ 33,538

Casino and community gaming cash floats are owned by the Corporation and provided by the Corporation to its service providers for gaming bankrolls (as specified under the operating service agreements). These floats are maintained at the gambling locations and are not available for other purposes. These amounts are secured by Irrevocable Standby Letters of Credit.

Funds held for security deposits include security deposit amounts provided by lottery retailers to BCLC. These funds are deposited into a separate bank account and returned to retailers, including any interest earned, in accordance with the retailer agreements. The balance at March 31, 2010 also included a standing security deposit of \$4,750 to secure amounts for casino net win balances owing to BCLC that were not covered by Irrevocable Standby Letters of Credit. All security deposit amounts are internally restricted by BCLC exclusively for funding the security deposit liability.

A corresponding security deposit liability in the amount of \$3,353 (2010: \$7,958) is included in accounts payable and accrued liabilities.

4. Cash (continued):

Funds held for eGaming wallets represent funds provided to BCLC by eGaming players through player wallets on PlayNow.com. These amounts are deposited into a separate bank account and are internally restricted by BCLC exclusively for funding the eGaming wallet liability.

A corresponding eGaming wallet liability in the amount of \$2,262 (2010: \$1,476) is included in accounts payable and accrued liabilities.

5. Short-term investments:

	2011	2010
BC Investment Management Corporation:		
Canadian Money Market Fund (overnight deposit)	\$ 28,854	\$ 29,507
US Dollar Money Market Fund (overnight deposit)	116	121
	<u>\$ 28,970</u>	<u>\$ 29,628</u>

6. Accounts receivable:

	2011	2010
Trade accounts receivable:		
Lottery retailers	\$ 16,819	\$ 18,552
Casino service providers	4,310	3,726
Community gaming and bingo service providers	2,062	1,582
	<u>23,191</u>	<u>23,860</u>
Other	1,015	1,999
Total accounts receivable	<u>\$ 24,206</u>	<u>\$ 25,859</u>

7. Inventories:

The major components of inventories are as follows:

	2011	2010
Slot machine spare parts	\$ 5,848	\$ 5,269
Instant tickets	1,888	2,366
Bingo paper and online supplies	1,123	1,058
Other merchandise and prizes	632	686
	<u>\$ 9,541</u>	<u>\$ 9,379</u>

For the year ended March 31, 2011, inventories recognized as an expense amounted to \$17,653 (2010: \$24,600).

For the year ended March 31, 2011, the write-down of inventories to net realizable value amounted to \$722 (2010: \$1,335) and was recorded in ticket printing expense.

8. Employee future benefits:

The Corporation has a defined benefit pension plan and a post retirement benefit life insurance and health care plan covering substantially all of its employees.

Information about the Corporation's defined benefit plans is as follows:

	Pension Plans		Post Retirement Benefit Plans	
	2011	2010	2011	2010
Accrued benefit obligation:				
Balance at beginning of year	\$ 93,566	\$ 58,197	\$ 33,227	\$ 29,828
Current service cost	4,931	1,645	1,421	1,439
Interest cost	5,995	5,006	2,180	2,691
Employee contributions	2,452	2,213	—	—
Benefits paid	(2,794)	(2,657)	(602)	(600)
Actuarial loss (gain)	17,282	29,162	2,455	(131)
Balance at end of year	121,432	93,566	38,681	33,227
Plan assets:				
Fair value at beginning of year	105,467	76,344	—	—
Actual return on plan assets	11,780	17,760	—	—
Employer contributions	6,093	11,807	602	600
Employee contributions	2,452	2,213	—	—
Benefits paid	(2,794)	(2,657)	(602)	(600)
Balance at end of year	122,998	105,467	—	—
Funded status – excess (deficiency)	1,566	11,901	(38,681)	(33,227)
Unamortized (negative) past service cost	439	580	(3,669)	(4,076)
Unamortized net actuarial loss (gain)	32,297	19,923	1,346	(1,109)
Accrued employee future benefit plan asset (obligation)	\$ 34,302	\$ 32,404	\$ (41,004)	\$ (38,412)

8. Employee future benefits (continued):

Plan assets by asset category:

	2011	2010
Equity securities	61%	61%
Debt securities	39%	39%
	100%	100%

An actuarial valuation is required at minimum every three years to assess the financial position of the pension plan. The most recent actuarial valuation of the pension plan for funding purposes was made at December 31, 2007 by Mercer, a firm of consulting actuaries. The next required actuarial valuation will be made as of December 31, 2010 with results expected to be available in mid 2011. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations for accounting purposes are as follows:

	Pension Plans		Post Retirement Benefit Plans	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
AT BEGINNING OF FISCAL PERIOD:				
Discount rate	6.25%	8.60%	6.35%	8.70%
Expected rate of return on plan assets	7.00%	7.00%	—	—
Rate of compensation increase	3.00%	4.75%	—	—
Health care cost trend rate:				
2010/2011	—	—	6.84%	6.44%
Ultimate	—	—	4.50%	4.35%
Year ultimate reached	—	—	2029	2029
AT END OF FISCAL PERIOD:				
Discount rate	5.91%	6.25%	5.98%	6.35%
Rate of compensation increase*	2.80%	4.27%	—	—
Health care cost trend rate:				
2010/2011	—	—	6.64%	6.84%
Ultimate	—	—	4.50%	4.50%
Year ultimate reached	—	—	2029	2029

* A long-term estimate of a 3.50% rate of compensation increase has also been factored into the actuarial assumptions adopted.

8. Employee future benefits (continued):

The Corporation's net benefit plan expense is as follows:

	Pension Plans		Post Retirement Benefit Plans	
	2011	2010	2011	2010
Current service cost, net of employees' contributions (including provision for plan expenses)	\$ 4,931	\$ 1,645	\$ 1,421	\$ 1,439
Interest cost	5,995	5,006	2,180	2,691
Actual return on plan assets	(11,780)	(17,760)	-	-
Actuarial loss (gain) on accrued benefit obligation	17,282	29,162	2,455	(131)
Costs arising in the year	16,428	18,053	6,056	3,999
Differences between costs arising in the year and costs recognized in the year in respect of:				
Return on plan assets	4,194	12,136	-	-
Actuarial loss (gain)	(16,568)	(29,187)	(2,455)	131
Plan amendment	141	141	-	-
(Negative) past service cost	-	-	(407)	(407)
Net benefit cost recognized	\$ 4,195	\$ 1,143	\$ 3,194	\$ 3,723

9. Property and equipment:

			2011	2010
	Cost	Accumulated Amortization	Net	Net
Land	\$ 700	\$ -	\$ 700	\$ 700
Corporate facilities and equipment	49,471	31,377	18,094	6,839
Corporate information systems	26,650	16,836	9,814	6,900
Lottery gaming systems and equipment	114,120	89,722	24,398	34,492
Casino gaming systems and equipment	228,387	151,409	76,978	74,420
Community gaming systems and equipment	69,601	54,770	14,831	18,847
	<u>\$ 488,929</u>	<u>\$ 344,114</u>	<u>\$ 144,815</u>	<u>\$ 142,198</u>

10. Intangible assets:

			2011	2010
	Cost	Accumulated Amortization	Net	Net
Software	\$ 67,123	\$ 36,032	\$ 31,091	\$ 21,375

11. Short-term financing:

	2011	2010
Province of British Columbia, loan, payable in a single instalment including interest of \$63 at 0.87%, unsecured, due April 18, 2011	\$ 45,081	\$ -
Province of British Columbia, loan, payable in a single instalment including interest of \$16 at 0.87%, unsecured, due April 27, 2011	19,987	-
Province of British Columbia, loan, payable in a single instalment including interest of \$22 at 0.90%, unsecured, due May 09, 2011	19,981	-
Province of British Columbia, loan, repaid during the year	-	59,996
	<u>\$ 85,049</u>	<u>\$ 59,996</u>

12. Revenue:

	2011	2010
LOTTERY:		
LOTTO MAX	\$ 248,608	\$ 73,330
Keno	229,741	209,075
Scratch & Win	165,652	148,684
Lotto 6/49	155,929	210,848
Extra	54,160	50,188
Sports Action	48,847	49,843
BC/49	42,041	47,108
Pacific Hold'Em Poker	41,879	47,521
Pull Tab	36,210	46,510
eGaming	17,944	4,057
Special Event	10,528	2,879
SportsFunder	6,168	11,520
Millionaire Life	4,051	-
Interactives	508	1,491
Knockout 21	113	772
Lotto Super 7	-	34,094
	1,062,379	937,920
CASINO—revenue net of prizes paid:		
Slot machines	959,717	954,600
Table games	357,087	343,885
Poker	22,468	23,140
	1,339,272	1,321,625
COMMUNITY GAMING:		
Slot machines—revenue net of prizes paid	166,885	143,959
Electronic bingo	61,935	62,662
Paper bingo	42,254	44,371
Linked bingo	5,953	6,819
Handheld bingo	9	-
	277,036	257,811
Total revenue	\$ 2,678,687	\$ 2,517,356

13. Net horse racing betting fees:

Pursuant to section 16 of the *Gaming Control Act* (B.C.) (the Act), BCLC was responsible for the collection and distribution of horse racing fees in the province of British Columbia. The rates of fee collection and the responsibility for their distribution were set forth in the Act. Effective December 2010, the responsibility for collection and distribution of horse racing fees in the province of British Columbia has been moved from BCLC to the Gaming Policy Enforcement Branch (GPEB).

The amount shown as net horse racing betting fees in these financial statements is the portion of those fees collected by BCLC and then remitted to Government, and approximates the cost of regulating the industry as determined by GPEB.

	2011	2010
Revenue collected from the horse racing industry	\$ 3,849	\$ 5,754
Less: revenue returned to the horse racing industry	(2,597)	(3,876)
Net horse racing betting fees	\$ 1,252	\$ 1,878

14. Payments to the Government of Canada:

The Interprovincial Lottery Corporation (ILC) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the federal and provincial governments following the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to ILC.

15. Interprovincial Lottery Corporation expenses and interest revenue:

The Corporation's share of the ILC prize and ticket printing costs for national games is recognized as a direct expense in accordance with the recognition of revenue. The Corporation's share of the ILC's interest income less operating expenses is included in other expenses.

16. Commitments:

The Corporation is committed to payments under operating leases for premises and vehicles.

Minimum annual rental payments for the next five years and thereafter are approximately as follows:

2012	\$ 6,079
2013	5,608
2014	5,264
2015	4,898
2016	4,205
Thereafter	40,962

17. Contingencies:

The Corporation has been named as a defendant in several lawsuits. In the opinion of management, these matters are without substantial merit and accordingly no provision has been made for them in the accounts.

The Corporation periodically enters into agreements with suppliers that include limited indemnification obligations. These guarantees are customary in the industry and typically require the Corporation to compensate the other party for certain damages and costs incurred as a result of third party claims. The nature of these agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay its suppliers. Historically, the Corporation has not made any significant indemnification payments under such agreements and no amount has been accrued in the financial statements for these indemnification guarantees.

18. Related party transactions:

The Corporation is related to various other government agencies, ministries and Crown corporations. All transactions with these related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

19. Sector activity information:

Year ended March 31, 2011	Lottery	Casino	Community Gaming	Horse Racing	Consolidated
Revenue	\$ 1,062,379	\$ 1,339,272	\$ 277,036	–	\$ 2,678,687
Prizes	581,484	–	70,812	–	652,296
Net win	480,895	1,339,272	206,224	–	2,026,391
Direct expenses:					
Commissions	61,731	452,213	75,784	–	589,728
Ticket printing and bingo paper	12,192	–	1,155	–	13,347
Equipment supplies, leases and licenses	3,271	11,639	1,880	–	16,790
	77,194	463,852	78,819	–	619,865
Net win less direct expenses	403,701	875,420	127,405	–	1,406,526
Operating expenses:					
Administrative expenses	74,100	62,109	14,829	–	151,038
Amortization	18,298	38,764	9,208	–	66,270
Other expenses	2,505	2,427	588	–	5,520
	94,903	103,300	24,625	–	222,828
Income from operations	308,798	772,120	102,780	–	1,183,698
Non-operating income (expenses):					
Net horse racing betting fees	–	–	–	1,252	1,252
Harmonized Sales Tax expense	(20,993)	(47,766)	(11,551)	–	(80,310)
	(20,993)	(47,766)	(11,551)	1,252	(79,058)
Net income	\$ 287,805	\$ 724,354	\$ 91,229	\$ 1,252	\$ 1,104,640

19. Sector activity information (continued):

Year ended March 31, 2010	Lottery	Casino	Community Gaming	Horse Racing	Consolidated
Revenue	\$ 937,920	\$ 1,321,625	\$ 257,811	\$ –	\$ 2,517,356
Prizes	505,329	–	72,282	–	577,611
Net win	432,591	1,321,625	185,529	–	1,939,745
Direct expenses:					
Commissions	54,992	446,263	68,599	–	569,854
Ticket printing and bingo paper	14,199	–	1,254	–	15,453
Equipment supplies, leases and licenses	2,049	15,204	4,173	–	21,426
	71,240	461,467	74,026	–	606,733
Net win less direct expenses	361,351	860,158	111,503	–	1,333,012
Operating expenses:					
Administrative expenses	70,517	65,201	13,541	–	149,259
Amortization	19,013	38,427	11,429	–	68,869
Other expenses	(3,535)	2,637	930	–	32
	85,995	106,265	25,900	–	218,160
Income from operations	275,356	753,893	85,603	–	1,114,852
Non-operating income (expenses):					
Net horse racing betting fees	–	–	–	1,878	1,878
Goods and Services Tax expense	(10,488)	(22,612)	(4,550)	–	(37,650)
	(10,488)	(22,612)	(4,550)	1,878	(35,772)
Net income	\$ 264,868	\$ 731,281	\$ 81,053	\$ 1,878	\$ 1,079,080

20. Harmonized Sales Tax (HST):

As a prescribed HST registrant, BCLC makes HST remittances to the Government of Canada pursuant to the *Games of Chance Regulations* of the *Excise Tax Act* (the Regulations). The Corporation's net tax for a reporting period is comprised of net tax attributable to both gaming and non-gaming activities. Imputed tax on gaming expenses is calculated according to a formula set out in the Regulations resulting in the direct payment of additional HST at the applicable statutory rate. The net tax attributable to non-gaming activities is calculated similar to any other HST registrant.

Prior to July 2010, BCLC was a prescribed Goods and Services Tax (GST) registrant making remittances to the Government of Canada pursuant to the *Games of Chance Regulations* of the *Excise Tax Act* (the Regulations).

21. Financial risk management:

The Corporation has exposure to the following financial risks from its use of financial instruments: credit risk, currency risk, interest rate risk, liquidity risk, and market risk.

This note presents information on how the Corporation manages those financial risks.

General

The Board of Directors (the Board) is responsible for the oversight of management including its policies related to financial and risk management issues. The Board has assigned responsibility to the Audit Committee to consider and report back on an ongoing basis the principal risks facing the Corporation. Strategic and business risks are also considered as part of the strategic and business planning processes.

The Audit Committee also oversees and reports back to the Board on the review of the Corporation's information systems, risk management function and internal controls to obtain reasonable assurance that such systems are operating effectively to produce accurate, appropriate and timely management and financial information.

BCLC has adopted a formal risk management strategy and process (in accordance with international risk management standards) to identify significant risks, to assess control systems, and to adopt risk treatment plans when appropriate. An Enterprise Risk Management Advisory Committee (ERMAC), with representation from Risk Management, Audit Services, and senior management from all divisions, ensures that risk management is implemented across the Corporation, considers and recommends risk management strategies, plans, processes and policies to the Corporation, and provides advice to the Executive Committee (CEO and Vice-Presidents) on risk management at BCLC. Quarterly reports on risk management activities and the risk profile of the Corporation are produced for the Executive and Audit Committees.

BCLC also has a division focused on corporate security and compliance, and has a dedicated risk manager to ensure that a high priority is placed on all operational aspects of risk management, control and compliance.

Credit risk

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its financial or contractual obligations to the Corporation. Credit risk arises principally from the Corporation's trade receivables and investment securities.

Trade receivables

The major third parties transacting with the Corporation, which include lottery retailers, casino service providers, community gaming service providers and bingo service providers, require registration with GPEB before doing business with BCLC. The Corporation is not materially exposed to any one individual lottery retailer or service provider except as noted below.

21. Financial risk management (continued):

Credit risk (continued)

Trade receivables (continued)

The objectives of the Corporation's lottery retailer credit policies are to provide retailers with adequate time to sell lottery products before payment is requested, while not exposing the Corporation to unacceptable risks. Credit assessments are completed for all new retailers (with the exception of registered charities) and may be completed for retailers who have experienced insufficient fund occurrences or where there is a concern a retailer might be experiencing financial difficulties.

Retailer security is obtained from retailers who are considered high financial risk or from retailers where minimal credit information is available. Security may include Irrevocable Standby Letters of Credit, security deposits or personal guarantees.

Casino and community gaming cash floats owned by the Corporation and provided by the Corporation to casino and community gaming service providers are secured by Irrevocable Standby Letters of Credit. These letters of credit also cover an estimated amount for the net win less commissions that would be outstanding from each service provider at any point in time. While the Corporation is materially exposed to two different casino service providers, the letters of credit held mitigate the material risk of default for trade receivables and cash floats owned by the Corporation. Bingo cash floats provided by the Corporation to bingo service providers (commercial bingo halls) are unsecured.

The Corporation's eGaming sales are through credit card, debit card, or online bill payment purchases where customers pay in advance of transactions.

The Corporation's two largest service providers account for \$3,549 of the accounts receivable carrying amount at March 31, 2011 (2010: \$1,282).

The maximum exposure to credit risk for trade accounts receivable at the reporting date by type of debtor represents the carrying amounts, as detailed in note 6, less any Irrevocable Standby Letters of Credit or security deposits. These amounts are listed as follows:

	2011	2010
Lottery retailers	\$ 13,059	\$ 14,652
Casino service providers	—	—
Community gaming service providers	—	—
Other	1,015	6,246
	<u>\$ 14,074</u>	<u>\$ 20,898</u>

All accounts receivable are within credit terms.

21. Financial risk management (continued):

Credit risk (continued)

Investments

The Corporation limits its exposure to investment credit risk by investing only in short-term debt securities with high credit ratings (as noted below) and minimal market risk. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

The Corporation has a formal policy and guidelines in place for short-term investments that provide direction for the management of the Corporation's funds with respect to the allocation of responsibilities, investment objectives, asset allocation, allowable fund holdings and investment constraints, and performance standards.

Specifically, the Corporation may invest in the following short-term investments:

- Fixed income securities issued, insured, or guaranteed by the Government of Canada, a provincial or municipal government, or the Government of the United States;
- Short-term financial and corporate commercial paper rated R-1 by the Dominion Bond Rating Service (DBRS) or an equivalent rating agency;
- Short-term paper issued by savings institutions;
- Fixed income securities from corporate issuers with a rating of A or R-1 or better from DBRS or with an equivalent rating from another rating agency; and
- Canadian dollar denominated fixed income securities issued, insured or guaranteed by a non-Canadian sovereign government or a supranational entity (e.g., the World Bank), with a rating of A or R-1 or better from DBRS or with an equivalent rating from another rating agency.

An asset mix has been established that outlines various policy range percentages for investments restricted to short-term pooled money market funds or bond investments.

Supplier concentration

The Corporation has significant business arrangements with two casino service providers which account for the majority of its casino business. The Corporation also has arrangements with other casino service providers, community gaming service providers, and a large number of lottery retailers.

The Corporation has a number of strategic relationships with suppliers of goods and services. Among these are arrangements for ticket printing, as well as critical gaming hardware and software. In addition, the Corporation maintains a number of other business relationships with suppliers of goods and services which are within the normal parameters of the Corporation's business and the gambling industry.

21. Financial risk management (continued):

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due.

To manage cash flow requirements, the Corporation has a short-term financing agreement with the Province under its Fiscal Agency Loan (FAL) program. Under this arrangement BCLC may borrow up to \$150 million. In making a loan to the Corporation, the Province uses reasonable efforts to comply with the borrowing requirements of the Corporation by supplying funds at commercial rates; however, the interest rate of any loan will be determined at the sole discretion of the Province. The short-term financing is unsecured and there are no pre-established repayment terms.

The Corporation also has a \$10 million overdraft facility that is unsecured. Interest is payable at the bank's commercial prime lending rate (2010: prime rate plus 0.5%).

The Corporation's Finance division manages liquidity risk by forecasting and assessing actual cash flow requirements on an on-going basis, as well as by planning for short-term liquidity with investment maturities chosen to ensure that sufficient funds are available to meet the Corporation's financial obligations.

Invested funds represent temporary cash surplus balances resulting from unclaimed prize money, and money from normal operations held in advance of its transfer to the Government of British Columbia. As a result of fluctuating cash flow requirements and to minimize market risk, the Corporation maintains a high degree of liquidity.

The carrying values of financial liabilities approximate their fair values due to the relatively short periods to maturity of these items, or because they are payable on demand. At the reporting date, these values are as follows:

	Carrying amount	
	2011	2010
Cheques issued in excess of funds on hand	\$ —	\$ 5,635
Prizes payable	27,198	25,483
Accounts payable and accrued liabilities	53,276	44,095
Payable to Interprovincial Lottery Corporation	3,142	—
Short-term financing	85,049	59,996
Due to Government of British Columbia	115,757	128,715
	\$ 284,422	\$ 263,924

The contractual maturities of financial liabilities are as follows:

	Carrying amount	Contractual cash flows	3 months or less	3–12 months
March 31, 2011:				
Prizes payable	\$ 27,198	\$ (27,198)	\$ (23,118)	\$ (4,080)
Accounts payable and accrued liabilities	53,276	(53,276)	(53,276)	—
Payable to Interprovincial Lottery Corporation	3,142	(3,142)	(3,142)	—
Short-term financing	85,049	(85,049)	(85,049)	—
Due to Government of British Columbia	115,757	(115,757)	(115,757)	—
	\$ 284,422	\$ (284,422)	\$ (280,342)	\$ (4,080)

21. Financial risk management (continued):

Liquidity risk (continued)

The contractual maturities of financial liabilities were as follows:

March 31, 2010:	Carrying amount	Contractual cash flows	3 months or less	3–12 months
Cheques issued in excess of funds on hand	\$ 5,635	\$ (5,635)	\$ (5,635)	\$ –
Prizes payable	25,483	(25,483)	(19,112)	(6,371)
Accounts payable and accrued liabilities	44,095	(44,095)	(44,095)	–
Short-term financing	59,996	(59,996)	(59,996)	–
Due to Government of British Columbia	128,715	(128,715)	(128,715)	–
	<u>\$ 263,924</u>	<u>\$ (263,924)</u>	<u>\$ (257,553)</u>	<u>\$ (6,371)</u>

Prizes payable are recorded based on the actual prize liability experienced for each online game and theoretical prize liabilities for instant ticket games. The present value of discounted future contractual and estimated contractual cash flows is presented above.

Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of a financial instrument. Market risk is comprised of currency risk, interest rate risk and other market price risk.

Currency risk

The Corporation is exposed to currency risk (or foreign exchange risk) by settling certain obligations in foreign currencies (primarily U.S. dollars (USD)) and by holding bank accounts and investments in USD.

The Corporation limits its exposure by holding minimal USD investments and only maintaining required funds in USD bank accounts. Gains and losses due to foreign exchange rate fluctuations are also minimized by settling USD obligations as quickly as possible.

The Corporation's exposure to currency risk, based on notional amounts, is as follows:

	March 31, 2011		March 31, 2010	
	CAD	USD*	CAD	USD*
Short-term investments	\$ 28,854	\$ 116	\$ 29,507	\$ 121
Cash held (including funds held in trust)	53,151	376	31,076	545
Accounts payable and accrued liabilities	(52,191)	(1,085)	(43,655)	(440)
Net exposure	<u>\$ 29,814</u>	<u>\$ (593)</u>	<u>\$ 16,928</u>	<u>\$ 226</u>

* Note: All USD balances are shown in Canadian dollar (CAD) equivalents.

21. Financial risk management (continued):

Market risk (continued)

Currency risk (continued)

Sensitivity analysis:

A one per cent increase in the CAD against the USD will decrease net income (with a foreign exchange loss) for any positive net exposure (for USD held). A one per cent increase in the CAD against the USD will increase net income (with a foreign exchange gain) for any negative net exposure (for USD owed). As at March 31, 2011, net income would have increased by \$6 CAD (2010: decreased by \$2 CAD). A one per cent decrease in the CAD would have had the equal, but opposite effect. This analysis assumes that all other variables, including interest rates, remain constant.

Interest rate risk

The Corporation is exposed to interest rate risk through its short-term financing agreement with the Province. Each time a loan is requested from the Province under this agreement, the terms are set by the Province. These terms are determined based on market conditions available at the time.

The Corporation mitigates this risk by borrowing from the Province for the minimum time necessary.

The Corporation is also exposed to interest rate risk through the Corporation's line of credit which is subject to interest charged at the bank's commercial prime lending rate (2010: prime rate plus 0.5%).

The Corporation mitigates this risk by minimizing the use of the overdraft facility.

The Corporation's interest-bearing assets are typically invested for a short period due to liquidity considerations. As a result, exposure to interest rate risk is minimized for these assets.

The Corporation's interest-bearing financial instruments at the reporting date are as follows:

	2011	2010
Short-term investments (fixed rate instruments)	\$ 28,970	\$ 29,628
Short-term financing (fixed rate instruments)	(85,049)	(59,996)

21. Financial risk management (continued):

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis:

The Corporation has designated its fixed-rate short-term investments as "held for trading". Therefore, changes in their fair values (due to changes in interest rates) are reported through net income. A one per cent change in interest rates at the reporting date would have increased (decreased) net income by the amounts shown below. This analysis assumes that all other variables, including foreign currency rates, remain constant.

	Net income March 31, 2011		Net income March 31, 2010	
	1% increase	1% decrease	1% increase	1% decrease
Short-term investments	\$ (289)	\$ 289	\$ (296)	\$ 296

The Corporation accounts for its short-term financing at amortized cost and therefore a change in the interest rate at the reporting date would not affect net income.

Other market price risk

The Corporation offers the Sports Action brand of lottery products in the marketplace. The Corporation manages risks associated with these products by setting odds for each event within a short time frame before the actual event, by establishing sales liability thresholds by sport, by providing credit management controls, by posting conditions and prize structure statements on www.bclc.com, and by limiting the aggregate amount of prizes that may be won on any given day for all Sports Action products. The Sports Action group also has the authority to suppress sales of any game at any time when liability risk is a concern.

Categories of financial instruments

The carrying amounts of financial assets and financial liabilities are equal to their fair values as shown at the reporting date:

	Carrying amount	
	2011	2010
FINANCIAL ASSETS		
Held for trading	\$ 77,509	\$ 57,531
Loans and receivables	24,206	30,106
FINANCIAL LIABILITIES		
Other financial liabilities	284,422	258,289

21. Financial risk management (continued):

Categories of financial instruments (continued)

Basis for determining fair value

Investments in debt securities:

The fair value of these financial assets designated as "held for trading" is determined by reference to their quoted bid price at the reporting date.

Cash and cash floats:

The fair value of these financial assets designated as "held for trading" is based on face value of the cash.

Trade and other receivables:

These financial assets are designated as loans and receivables. The carrying values of amortized cost approximate their fair values due to the relatively short periods to maturity of these items, or because they are receivable on demand.

Non-derivative financial liabilities:

These financial liabilities are designated as other financial liabilities. The carrying values of amortized cost approximate their fair values due to the relatively short periods to maturity of these items, or because they are payable on demand.

Fair value hierarchy

The following table summarizes the financial instruments measured at fair value on a recurring basis in the consolidated balance sheet as at March 31, 2011, classified using the following fair value hierarchy:

- (i) Level 1 – Inputs are unadjusted quoted prices of identical instruments in active markets.
- (ii) Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly.
- (iii) Level 3 – Inputs used in a valuation technique that are not based on observable market data in determining fair values of the instruments.

Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

	Level 1
FINANCIAL ASSETS	
Cash	\$ 48,539
Short-term investments	28,970

22. Capital management:

The Corporation does not retain any earnings. BCLC's monthly net income, after deducting contractual amounts due to the Government of Canada, is paid to the Province of British Columbia four weeks after each fiscal month-end.

The Corporation's policy is to maintain a structure which allows the Corporation to have sufficient liquidity to meet both operational demands and payments to the Province.

Through a Fiscal Agency Loan agreement with the provincial government, BCLC has access to a \$150 million short-term operating loan which is used to fund ongoing operations and capital purchases.

Invested funds represent temporary cash surplus balances resulting from unclaimed prize money, and money from ongoing operations held in advance of its transfer to the provincial government. As a result of fluctuating cash flow requirements and to minimize market risk, the Corporation maintains a high degree of liquidity.

The Corporation has a formal policy and guidelines in place for short-term investments that provides direction for the management of the Corporation's funds with respect to the allocation of responsibilities, investment objectives, asset allocation, allowable fund holdings and investment constraints, and performance standards.

Due to the Corporation's low risk tolerance, short-term horizon, and liquidity objectives, a policy has been established that outlines an asset mix and various policy range percentages for investments restricted to short-term pooled money market funds or bond investments.

The Board of Directors is responsible for the oversight of management including its policies related to financial and risk management issues.

There were no changes in the Corporation's approach to capital management during the year.

23. Comparative figures:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

HEAD OFFICE

74 West Seymour Street
Kamloops, B.C. V2C 1E2
Telephone: 250.828.5500
Fax: 250.828.5631

VANCOUVER OFFICE

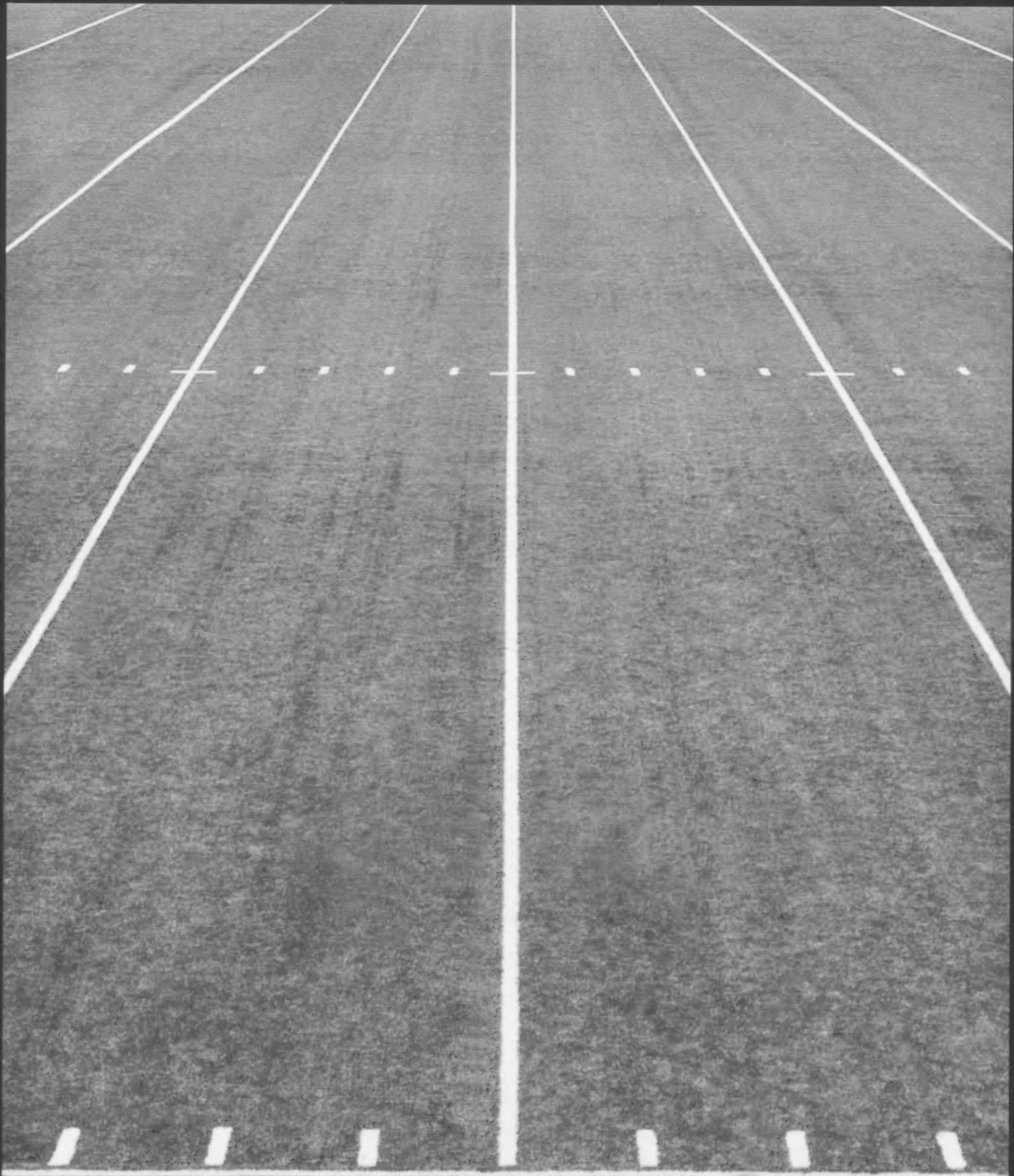
2940 Virtual Way
Vancouver, B.C. V5M 0A6
Telephone: 604.215.0649

CONSUMER SERVICES

Telephone: 1.866.815.0222
consumerservices@bclc.com

BCLC's Service Plan is available at bclc.com

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